

# The welfare state nostalgia<sup>1</sup>

Özgür Öztürk

**Note to the reader:** This paper was written before the coronavirus outbreak. As everyone knows, the pandemic has progressed quickly and covered the entire world in just a few months. As of April 2020, it is not yet clear how and when the outbreak will end, but some of its results have already become evident.

First, it seems more or less clear that the global economic crisis that started in 2008 will enter a new, deeper phase. With stock market crashes every week and soaring unemployment in almost every country, there is no “recovery” on the horizon, and a large-scale depreciation of capital is around the corner. Moreover, the coronavirus outbreak has accelerated the retreat from the so-called “globalization” process. Cross-border movements of capital, commodities, and people have decreased considerably. Declining world trade, increasing nationalism, the rise of fascist and proto-fascist politics, economic depression, unemployment... the situation resembles the 1930s.

Second, the outbreak has revealed the miserable condition of the healthcare systems of even the most powerful capitalist states. In many countries, very basic protective health items such as sanitizers or medical masks are in short supply, and people are dying because of the lack of ventilators, or intensive care services. What we see is the collapse of the healthcare system and the bankruptcy of capitalism. Undoubtedly, this collapse is a result of the decades-long neoliberal assault on the working class, and the dismantling of the so-called “welfare state”.

According to social-democratic reformism, the pandemic has proved, once again, that neoliberalism doesn’t work, and we need a “social” approach, which includes a return to Keynesian policies. This kind of “social” reasoning accepts

---

<sup>1</sup> The original Turkish version of this paper will be published in *Toplum ve Hekim* [Community and the Physician], the theoretical journal of the central council of the Turkish Medical Association. This is a revised version of the paper.

private property in the means of production and circulation of goods, and abstains from radical measures such as the nationalization of private hospitals or the pharmaceutical companies. It seems that just a piece of governmental wisdom will be enough to establish an acceptable form of capitalism.

However, there is no reason to think that once we have overcome the coronavirus pandemic, governments will behave more wisely and implement “welfare state” type programs. The future will be shaped by the world-wide balance of class power. Amid a great depression, in the absence of strong working-class organizations, of powerful revolutionary movements and parties, and of workers’ states to make pressure on the capitalist world, the bourgeoisie will resist every demand to expand the rights of the masses. We urgently need revolutionary, not reformist, politics.

## Introduction

The neoliberal policies that have prevailed all over the world for the last forty years have faced increasing objections in the context of the new “Great Depression” that began in 2008. The crisis has also led to an acceleration of the search for in-system alternatives. Indeed, especially in social-democratic (or social-liberal) circles, there are proposals for a new economic policy, which are often articulated within a post-Keynesian framework.<sup>2</sup> According to such approaches, a “rational” economic mechanism that is more humane and better working than free-market neoliberalism can be established without breaking away from capitalist relations of production. In this regard, the so-called “golden age of capitalism” is mentioned as evidence; the period from the end of the Second World War to the mid-1970s. During this short period, now far behind, many countries implemented policies referred to as the “welfare state” (or the “Keynesian social welfare state”). For nearly thirty years, economic growth had been accompanied by low unemployment, relatively high wages, and rising social spending, and there was significant progress in education, health, and social security. The aim is to design a similar, or rather updated, version of this now.

The details of the proposals for a new welfare state will not be discussed in this paper. Instead, the original welfare state, the “Welfare State 1.0” version will be examined. Understanding the historical conditions under which the first “model” emerged, what limitations it faced and why it went into crisis can make it easier to see whether a similar project has a chance of success today.

In academic debates on the welfare state, the historical context is often accounted for quite superficially. But the fact that some institutions called the “welfare state” took place in some leading capitalist countries in the third quarter of the twentieth century cannot be discussed without taking into account the class struggle on a world scale, and the socialist construction attempts in the Soviet Union, China, Eastern European countries and other places. However, in perhaps the most important

---

<sup>2</sup> See, e.g. Paul Davidson, *The Keynes Solution: The Path to Global Economic Prosperity*, New York: Palgrave Macmillan, 2009; Joseph E. Stiglitz, “The Welfare State in the Twenty-First Century”, in José Antonio Ocampo and Joseph E. Stiglitz (eds.), *The Welfare State Revisited*, New York: Columbia University Press, 2018.

work of the welfare state literature, Gøsta Esping-Andersen's *The Three Worlds of Welfare Capitalism* (first published in 1990), the Soviet Union is not mentioned **even once**.<sup>3</sup> Rather than simple neglect, this appears to be the result of social-democratic approaches' comprehension of the "welfare state" as an ahistorical "model". By contrast, in this paper, it will be argued that the structure called the "welfare state" was a product of specific conditions, and the possibility for it to come on the agenda again is low, even in its updated form.

The new Great Depression will probably get deeper.<sup>4</sup> In such a case, the number of people who sympathize with the proposals for a new welfare state will likely increase. But the deepening of the crisis will also restrict the maneuvering space (and budgetary resources) of governments. Moreover, compared with previous periods, the organization and struggle levels of the workers (who are supposed to push the state in this direction) are very low. Finally, a factor like the Soviet Union, which in the past had exerted pressure on the capitalist world, no longer exists. In such a context, if the crisis deepens, rather than implementing welfare state-type programs, the ruling classes will insist on neoliberalism to "overcome the crisis"; and if the crisis can somehow be overcome, this time capital will continue neoliberal policies anyway, since neoliberalism is the program of the attack on labor. Though it was carried out in parallel with the so-called "globalization" process in the 1990s, these two are not the same. Under the conditions of today's crisis, a step back from globalization is not only possible but almost inevitable; however, this does not make the termination of neoliberal policies necessary. For these reasons, welfare state projects are unlikely to be implemented in the coming period, perhaps for several decades. Workers in this or that country can achieve some gains, and even improve their living conditions a bit by counter-attacking. Still, insofar as the capitalist organization of production continues **worldwide**, there is no guarantee that any gain will be permanent. In my opinion, this is the most important lesson to be drawn from the welfare state experience(s): the gains of the workers can only become permanent with workers' rule.

Below, first, the formation of the social policy field in capitalist society will be discussed with reference to Marx's writings in the 19th century. In the second section, the development of the social policy field in the post-Marx period is evaluated through the examples of Bismarck and Beveridge models. In the next three sections, the rise, historical significance and the crisis of the welfare state are discussed, respectively. The sixth and the last part tries to provide an answer to the question of whether a new welfare state experience is possible.

---

3 Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism*, Cambridge: Polity Press, 1996.

4 As for the "Third Great Depression" and its possible trajectory, see Sungur Savran, *Üçüncü Büyük Depresyon: Kapitalizmin Alacakaranlığı [The Third Great Depression: The Twilight of Capitalism]*, İstanbul: Yordam, 2013.

## **1. Social policy in capitalist society: Marx and factory laws**

### **a. An ideological notion**

That the “welfare state” is a problematic term should be noted at the beginning. Though it is not known who first coined it, the term became commonplace in the 1950s and 60s, during the Cold War period. The portrayal of the Western countries of the period as “welfare states” (and not, e.g., as capitalist or imperialist) has resulted from ideological concerns. The notion itself reflects the belief that capitalism can be a system that works well, creates wealth and spreads it to the entire population.

On the other hand, the emphasis on the state is in accord with the Keynesian spirit of the post-war years. As is known, after the Great Depression of the 1930s, policies involving state intervention have begun to replace the liberal market approach that had collapsed in the first half of the 20th century. The “mixed economy” programs that intended –mainly via public spending– to reduce unemployment and increase effective demand, and at the same time make pressure on the financial sector, span a broad spectrum that ranges from Roosevelt’s *New Deal* program in the US to the fascist and corporatist regimes in Europe, and even to the statism of the 1930s in Turkey. The Keynesian economic doctrine, an expression of the interests of industrial capital, was a product of this period.<sup>5</sup> The Second World War further strengthened this trend, and liberal theories (such as the Austrian School) that exclude state intervention in the economy were thoroughly discredited. However, it is controversial whether the policies envisaged by Keynes were implemented during the thirty years after the war; since the “official” economic doctrine in the capitalist world in this period was the so-called “neoclassical synthesis” that combined Keynesian theory with neoclassical economics. Moreover, causality worked in the opposite direction: the post-war “golden age” was not the result of the implementation of Keynesian policies, but rather, the Keynesian doctrine (in its various versions) was the intellectual reflection of this period. The free-market approach has been put on the shelf due to concrete political and economic developments.

We should also be very clear about the “systematic state interventions on the market” that form the core of the Keynesian approach(es): the intervention aims to make capitalism work by curbing the market. Contrary to what conservative commentators like Hayek argue, the welfare state and Keynesian economics have no intention of “socialism”. In the eyes of its supporters, the welfare state primarily functions as “a fundamental aspect of modern government... that operates as an indispensable means of making capitalist economies socially and economically sustainable”.<sup>6</sup> In other words, the aim is never socialism, or even spreading welfare to the whole population, or meeting social needs, but to control and thereby maintain a system that is not “sustainable” by itself, a system that produces devastating consequences when left alone.

---

<sup>5</sup> Geoffrey Pilling, *The Crisis of Keynesian Economics: A Marxist View*, Croom Helm, 1987, <https://www.marxists.org/archive/pilling/works/keynes/index.htm>.

<sup>6</sup> David Garland, *The Welfare State: A Very Short Introduction*, Oxford: Oxford University Press, 2016, p. 3.

### b. Capital and the state

The idea that capitalism is a destructive system is as old as capitalist production itself. Marx writes that capital is dead labour that “vampire-like, only lives by sucking living labor, and lives the more, the more labor it sucks”.<sup>7</sup> In the 19th-century horror literature, the “monster capital” image has been embodied in figures such as Frankenstein and Dracula.<sup>8</sup> In the more realistic literature, the miserable living conditions of the workers were covered in the novels of many authors from Dickens to Zola. Young Frederick Engels’ study *The Condition of the Working-Class in England* (1844) documented the negative consequences of industrialization on workers.<sup>9</sup> Half a century later, the Boer Wars showed the physically awful situation of the British soldiers to the whole world.<sup>10</sup> The capitalist mode of production was ruining humanity, not metaphorically, but literally.

But the destructive activity of capital has also resulted in workers’ resistance. The struggle between workers and bosses has forced capitalists to grant certain rights to workers and has led to the formation of what is now called “social policy”. In this field, the results of the struggle between the two classes often take shape via the mediation of the state (in laws, various institutions, etc.). However, as the power apparatus of the capitalist class, the capitalist state is at the same time obliged to provide the general conditions for the accumulation of capital. For this reason, the results of the class struggle are shaped by passing through the prism of the capitalist state that takes care of capital accumulation.

The basic idea inherent in the notion of the welfare state, and the idea social policy is built around, is the restriction of capital. The state is the actor expected to do this. Since the essence of capital is to grow, this is not an easy task. In the words of Marx, capital “has a boundless and measureless urge to exceed its own limits. Every boundary is and must be a barrier for it.”<sup>11</sup> In other words, capital will see each limit (from capital’s point of view these are quantitative limits, factors that limit the rate of profit) as obstacles to be overcome, will try to overcome them, and will succeed sooner or later. Otherwise, its existence will end. Just like cancerous cells, growing and spreading is in the nature of capital.

Even today, at a time when capital has reached gigantic dimensions on a global scale, the hope of keeping it within certain limits and controlling capitalism remains live. For example, Thomas Piketty, in his recent book on wealth and income inequalities (winking at Marx, he has titled it *Capital in the Twenty-First Century*),

---

7 Karl Marx, *Capital, vol I*, in Karl Marx & Frederick Engels, *Collected Works*, vol 35, Lawrence & Wishart, 2010, p. 241.

8 Franco Moretti, “Dialectic of Fear”, in *Signs taken for Wonders: Essays in the Sociology of Literary Forms*, translated by Susan Fischer, David Forgacs, David Miller, London: Verso, 1997, p. 83.

9 Frederick Engels, *The Condition of the Working-Class in England*, in Karl Marx & Frederick Engels, *Collected Works*, vol 4, Lawrence & Wishart, 2010, p. 295.

10 Esping-Andersen, *The Three Worlds of Welfare Capitalism*, p. 63; Chris Renwick, *Bread for All: The Origins of the Welfare State*, London: Penguin, 2017, chapter 4.

11 Karl Marx, *Economic Manuscripts of 1857-1858*, in Karl Marx & Frederick Engels, *Collected Works*, vol 28, Lawrence & Wishart, 2010, p. 259.

argues that the right solution is “a progressive annual tax on capital”. Piketty is aware that such a solution exceeds the power of the nation-states. Yet he believes that “if we are to regain control of capitalism, we must bet everything on democracy— and in Europe, democracy on a European scale”.<sup>12</sup> Regaining the control of capitalism, returning to the good old days: this is probably the most concise expression of the utopia of our time.

Undoubtedly, the modern capitalist state is, to some extent, autonomous, both from the field of economy and society. In this sense, it can set limits on capital, and it has set, but this has limits too. Because (i) the capitalist state pursues the interests of capital *as a whole*, it tries to provide the conditions for accumulation to continue profitably, so it must avoid attempts that will reduce the overall rate of profit. (ii) On the other hand, capital is not a homogeneous whole; it exists as separate capitals and fractions of capital with different interests. Just like labor-capital conflicts, intra-capital conflicts also pass through the mediation of the state. Accordingly, the state’s decisions on issues such as taxes, incentives, public spending, exchange rate, etc. limit the movement of some capitals, while paving the way for others. (iii) Moreover, the state should not be considered the ultimate decision-maker. Both capital accumulation and class struggle are processes that exceed state borders. The state is sovereign in a particular territory but acts within a broader regional and international context. It is the general world conjuncture that often determines the policies pursued by individual states.

Many contradictions and conflicts arise from all these complex and multi-layered relationships. In such an environment, the state tries to simultaneously perform many tasks that may contradict each other. Within a specific world conjuncture, and the framework of dynamic power relations between and within classes, it can create a *modus vivendi* that will last for a while. But can’t do more than this. When the general economic situation worsens, tax revenues decrease and debts increase (as in the 1970s), no matter which party is in power, it is obliged to abide by capitalist rationality.<sup>13</sup>

### c. The logic of social policy

Thus, it can be said that the social policy field is shaped via the mediation of the state within the framework of the dynamic interaction of class struggles and capital accumulation. In other words, when analyzing this field, it is necessary to take into account three factors that affect each other. Class struggle is the key moment, and as well as being limited by the bumpy course of capital accumulation, it may erect barriers to capital accumulation in the opposite direction. The state acts, in a sense, as a “collective capitalist”, and in its effort to provide the subjective and objective conditions of capital accumulation within the territory it controls, it tries to solve the problems that go beyond the horizon of individual capitals. For example, education, health, reproduction, etc. of the total labor force in the country inevitably becomes

---

12 Thomas Piketty, *Capital in the Twenty-First Century*, translated by Arthur Goldhammer, Cambridge: The Belknap Press, 2014, p. 572-3.

13 Ian Gough, *The Political Economy of the Welfare State*, London: The MacMillan Press, 1979, p. 42.

the subject of state interest. Moreover, the needs of international competition also force the state to intervene in these fields.<sup>14</sup> The state's regulations in areas such as education, health, housing, employment, and social security can also serve to legitimize capitalist relations of production by creating a state image that cares for and protects its citizens. However, it should be noted that the autonomy of the capitalist state is not absolute but relative; it is conditioned by class power relations and the process of capital accumulation.

In short, the formation of the "logic" of social policy is partly the result of the functional needs of capitalist production. These are not given, indisputable things, but requirements that are political by their nature, and that also pass through the mediation of class struggle. At any given time, the question about what capital accumulation in a territory requires is never answered, and in fact cannot be answered, "technically". Since capital itself is a contradictory social form, the logic of capital accumulation takes shape within a complex struggle process.

Let us take the determination of the length of the working day as an example. According to Marx, in the case of England, the determination of the length of the working day that is considered "normal" is not the result of the functional needs of industry or a compromise between labor and capital, but "the result of centuries of struggle between capitalist and laborer".<sup>15</sup> Marx notes that two opposing currents were seen in the history of this struggle. During the "germination" phases of capitalist production, during the period from the 14th century to the mid-18th century, by the "labor statutes" issued before the Industrial Revolution, the working day was forcibly extended, while with modern factory laws the working day was essentially shortened. This contrast did not stem from the humanitarianism of the factory owners or the requirements of industrial production.

The working day is a magnitude that *can vary* within certain (upper and lower) limits. These lower and upper limits have both a physical character (for example, workers cannot be expected to work 23 hours a day) and a social character determined by the "general level of civilization".<sup>16</sup> There is ample playground between these two limits, and the limitation of the working day by law is also a contentious process. For example, Marx states that "Parliament passed 5 Labour Laws between 1802 and 1833, but was shrewd enough not to vote a penny for their carrying out, for the requisite officials, &c."<sup>17</sup> In any case, as of 1832, the working day had been reduced to 12 hours (to 10 hours in 1848) in many industries.

But the issue was not closed, since the indirect consequence of the shortening of the working day was an increase in the use of machinery in industry, and this increased mechanization led to both an increase in the intensity of labor, and the employment of female and child labor in the factories on a mass scale (and also gave

---

14 Gültekin Akarca, "Sağlık Tanımı ve Hekimin ve İşyeri Hekimi'nin Sınıfsal Konumu Üzerine" ["On the Definition of Health, and the Class Position of Physicians and Workplace Physicians"], *Mesleki Sağlık ve Güvenlik Dergisi [Turkish Journal of Occupational Health and Safety]*, vol 19, no 71, 2019, p. 25.

15 Marx, *Capital*, vol I, p. 276.

16 Ibid., p. 240.

17 Ibid., p. 283.

advantage to big business against small capitals). The machine turned into a crucial weapon in breaking the resistance of the industrial worker. Moreover, the workers' rebellion against the machines also led to the development of new machines: "It would be possible to write quite a history of the inventions, made since 1830, for the sole purpose of supplying capital with weapons against the revolts of the working class."<sup>18</sup> However, the resistance of the working class against this attack, which it was now exposed to as a whole together with women, children, and men, brought the birth of factory legislation. Marx writes that factory legislation is "just as much the necessary product of modern industry as cotton yarn, self-actors, and the electric telegraph".<sup>19</sup> This is not a technical requirement, but a necessity mediated by class struggle. Besides, once factory legislation has emerged, its content has become a constant subject of conflict.

Some Marxist researchers such as Ian Gough believe that working-class struggles –indirectly– serve the "long-term accumulation of capital".<sup>20</sup> But it is difficult to draw such a conclusion from Marx's analysis. Marx's thesis is that what is today termed as "social policy" is shaped by the never-ending class struggles rather than the functional requirements of capitalist production (in the end, the answer to the question of what is "functional requirement" is also given on the same ground). These struggles pass through the mediation of the state as a general rule and become embodied in specific laws. The new institutional form that emerges as a result of a process of struggle, and stamped and approved by the state, achieves a certain permanence (path dependency). However, due to the development of the content, after a while, this current form will also become unsuitable for that content and will trigger new struggles (for example, shortening of the working day will speed up mechanization, and new contradictions will emerge from this). Also, though struggles take place between the two basic classes, other social strata and classes (land-owning nobility, petty bourgeoisie, etc.) are often involved. Moreover, all these complex struggles are not limited to the economic or trade union sphere but also extend to political, social and ideological fields. The expansion and complexification of the area of social struggles (hence the social policy field) over the past two hundred years is no accident.

This emphasis on struggles does not mean the affirmation of a pure "voluntaristic" logic. "Men make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past."<sup>21</sup> In this context, at the most general level, there are the restrictions or incentives created by the dominant trends worldwide. Factors such as the legacy of struggle inherited from the past, cultural habits, and the existing institutional forms themselves will also be effective. However, the most influential among all these factors is the fluctuations of the economic conjuncture. According to Marx, workers can only compensate

---

18 Ibid., p. 439.

19 Ibid., p. 483.

20 Gough, *The Political Economy of the Welfare State*, p. 55.

21 Karl Marx, *The Eighteenth Brumaire of Louis Bonaparte*, in Karl Marx & Frederick Engels, *Collected Works*, vol 11, Lawrence & Wishart, 2010, p. 103.

for the losses they inevitably suffer during the downturn of the economic cycle by struggling in relatively good periods.<sup>22</sup> Therefore, the trade unions “work well as centres of resistance against the encroachments of capital”.<sup>23</sup> But one should not expect more than that.<sup>24</sup>

As a general rule, workers can achieve some gains, especially in periods of relative abundance; but in recessionary periods, they are more likely to suffer losses. Here the most direct mechanism is the fluctuation of the magnitude of the unemployed mass (the industrial reserve army) with the economic conjuncture. During stages of economic boom, when unemployment is low, the strength of workers’ organizations generally increases, while periods of stagnation increase unemployment and intensify competition among workers, leading to the weakening of the class. In short, the level of organization and struggle of the workers also varies depending on the economic cycle. But in the concrete world of the class struggles, many examples can be seen that violate this general rule. An unorganized and demoralized working class can witness the loss of some of its previous gains, even during an economic boom. Though the economic growth rate was high in Turkey in the years before the 2008 crisis, workers lost many rights. Conversely, it is also possible for workers to achieve gains as the result of a fierce struggle even during a great crisis. For example, the paid holiday *tradition* in the USA started in the 1930s (a tradition that has never been legally secured to date). General trends are just general trends; in each concrete case, one can observe features differing from this generality.

## 2. The shaping of social policy: The prehistory of the welfare state

### a. The example of Bismarck

One of the paradoxes frequently mentioned in the field of social policy is that in many instances, the first steps towards the “welfare state” have been taken by the (conservative or liberal) ruling classes.<sup>25</sup> Indeed the first move that changes a given situation (regardless of direction) usually comes from the ruling class, since the struggle between the rulers and the ruled is asymmetrical: the upper strata of the ruling class (big business, high bureaucracy, top ranks of the army, etc.) are more integrated and organized in themselves. In the end, those who take critical decisions that affect everyone’s life in a capitalist economy are just a group of individuals,

---

22 Karl Marx, *Value, Price and Profit*, in Karl Marx & Frederick Engels, *Collected Works*, vol 20, Lawrence & Wishart, 2010, p. 143.

23 *Ibid.*, p. 149.

24 It must be noted that trade unions were underdeveloped at Marx’s time, hence the “wage and price stickiness” that would later gain great importance in Keynes’ theory was more or less absent, and during crisis periods even the nominal wages could be lowered; but this does not change the essence of the argument.

25 For instance, Esping-Andersen views this as a paradox (Esping-Andersen, *The Three Worlds of Welfare Capitalism*, p. 108).

a group too small to fill a large university lecture hall.<sup>26</sup> It is not very difficult for such a small group to quickly organize, make decisions, and take action. Another reason for the asymmetry is that the “time horizon” of the governing section of the ruling class is broader. As Guillermo O’Donnell has shown in the example of Argentina, the plans of especially big monopolistic industrial companies are long-term, and their production and investment decisions span years.<sup>27</sup> Thanks to their political-economic power and resources at hand, their capacity to predict the future and shape this future is higher compared to other social segments.

In the German case, the new imperialist state, which established its political unity under Bismarck in the late 19th century, used various methods to meet the threat from the working class. The most striking of these is the anti-socialist law that was in force between 1878 and 1890, aimed at the Social Democratic Party (SPD). But in the face of the ongoing rise of the workers’ movement and socialism, a different path would be followed with a series of new laws. In this context, the sickness insurance law was enacted in 1883, the accident insurance law was enacted in 1884, and the compulsory pension system was introduced in 1889, with the premiums paid by workers and employers.<sup>28</sup> The fact that Bismarck laid the foundation of modern social policy is probably one of the ironies of history.<sup>29</sup>

It is known that Bismarck was seeing socialism as an internal security threat, “a matter of civil war and sovereignty”, and did not have the slightest sympathy for workers.<sup>30</sup> Why did the “Iron Chancellor”, the leading conservative, prepare all these modern laws? It would be a correct but incomplete answer to say that Bismarck, who had the power to abolish the Reichstag when necessary, had to compromise workers. Rather, this involved the (willy-nilly) recognition of the *economic* and *social* power status of the working class, which it had acquired with industrialization, but also the effort to prevent its transformation (by merging with the socialist movement) into a *political* subject. Hence this was a preventive move. As Asa Briggs emphasizes, Bismarck tried to create an alternative to socialism (and liberalism).<sup>31</sup> Most social policymakers nowadays are in a similar quest.

---

26 Samuel Bowles and Herbert Gintis, *Democracy and Capitalism: Property, Community, and the Contradictions of Modern Social Thought*, New York: Basic Books, 1986, p. 86.

27 Guillermo O’Donnell, *Bureaucratic Authoritarianism: Argentina, 1966-1973*, in *Comparative Perspective*, translated by James McGuire, Rae Flory, Berkeley: University of California Press, 1988, p. 18-20.

28 Gough, *The Political Economy of the Welfare State*, p. 64; İlker Belek, *Sosyal Devletin Krizi ve Sağlıkın Ekonomi Politigi* [*The Crisis of the Social State and the Political Economy of Health*], İstanbul: Sorun, 1994, p. 47.

29 Jürgen Tampke claims that Bismarck’s reforms of the 1880s were overrated; similar laws were already in effect in Prussia in the coal mining sector, and the concrete effects of these laws were limited (“Bismarck’s Social Legislation: A Genuine Breakthrough?”, in W.J. Mommsen and Wolfgang Mock (eds.) *The Emergence of the Welfare State in Britain and Germany, 1850-1950*, London: Croom Helm, 1981, p. 71-4). Yet Bismarck’s initiative is still important because of its national scale.

30 Otto von Bismarck, *Düşünceler ve Hatıralar III* [*Thoughts and Reminiscences, vol. III*], translated by Nijad Akipek, Maarif Vekaleti [Ministry of Education], 1955, p. 67.

31 Asa Briggs, “The Welfare State in Historical Perspective”, in Christopher Pierson and Francis G.

The merging of the workers' movement and the socialist current is dangerous because the working class has the potential to become a political force to transform society by leading all oppressed social segments. But the position of the workers (and their organization, the trade union) within the relations of production prevents the development of this potential: the trade union struggle is limited only to the specific problems of the workers or their particular segments. On the other hand, the socialist movement is the expression of the consciousness of this social revolutionary power of the working class. Indeed, the explicit goal of the SPD from the outset was to merge socialism with the workers' movement (its later turn towards reformism does not change this). With the Paris Commune example still in memory, it was not hard to realize the explosive potential of this fusion.

Bismarck reforms highlight a critical aspect of the logic of the struggle (and social policy): the ruling class and the state sometimes have to respond to the direct pressure of the working class, as seen in the example of factory laws; but sometimes, when there is no apparent pressure from the bottom, they make preventive moves by predicting the future, thereby trying to shape this future in the direction they desire. A well-designed "reform" can neutralize the revolutionary potential of the workers (which they are not yet aware of) before it emerges.<sup>32</sup> Indeed, the SPD leadership of the time (e.g. August Bebel) had clearly understood that the purpose of Bismarck's initiatives was to weaken the workers' movement. Yet at the end of the 19th century, a reformist-revisionist current gained strength within the SPD. "Social reform or revolution?" were the terms Rosa Luxemburg used to frame the issue at the time. As is well known, she later suggested the slogan, "socialism or barbarism", which implies that whenever social reform is not part of the struggle for socialism, it is a means for prolonging capitalist barbarism. More than a century later, these are still the terms of the debate.

Nevertheless, it should be remembered that at the turn of the 20th century social spending was very low compared to today and that a "welfare state" certainly was not on the agenda. Even if Bismarck or others made some concessions to the working class, these were insignificant. (For example, Engels did not feel the need to analyze these reforms.) In Western countries, in this period, social spending was only 3 percent of the national income. This increased to 5 percent at the beginning of the Second World War, 10-20 percent in the 1950s, and 25-35 percent in the mid-1970s.<sup>33</sup> In other words, the main leap took place after the war.

### **b. Beveridge and the birth of the welfare state**

After the Second World War, the most striking aspect of the new world order was the international organization of capitalism under US hegemony, even before the beginning of the Cold War. From the moment it was clear how the war would end (perhaps even earlier), representatives of the capitalist world worked on the

---

Castles (eds.) *The Welfare State Reader*, Cambridge: Polity Press, 2006, p. 21.

32 Gough, *The Political Economy of the Welfare State*, p. 58-9.

33 Oğuz Topak, *Refah Devleti ve Kapitalizm: 2000'li Yıllarda Türkiye'de Refah Devleti [The Welfare State and Capitalism: The Welfare State in Turkey during the 2000s]*, İstanbul: İletişim, 2012, p. 50.

new design in a coordinated manner under the leadership of the United States. The most important initiative in discussing and deciding on the institutional structure of the new period was the Bretton Woods conference, held in 1944 with the participation of 44 countries. But institutionalization was on the national scale also. The Beveridge Report, the primary document of the social policy outlook of the new period, came before the Bretton Woods conference. In the UK, the report prepared by the liberal-oriented parliamentary William Beveridge in 1942 had a huge impact on the public and was discussed and accepted in the parliament a year later (when the victory appeared on the horizon).<sup>34</sup> The Labor Party also took part in the coalition government during the war, but the prime minister was Winston Churchill, the famous conservative politician.

The Beveridge model covered all citizens. All “social risks” such as illness, old age, occupational accidents were covered under a national insurance system. The comprehensive social security system was designed as “part of a larger plan that includes economic policies that guarantee full employment and the national health system”.<sup>35</sup> In other words, the model complemented Keynesian policies aiming at full employment. Indeed Beveridge especially emphasized that for the model to work, the government should keep the employment level as high as possible.<sup>36</sup>

The implementation of the model fell to the Labour Party majority government (1945-51) after the war. The Clement Attlee cabinet introduced the National Insurance Act in 1946, the Urban and Rural Planning Act in 1947 (hundreds of thousands of social dwellings were built with this law), and the National Health Act between 1946-48 (covering Wales, Scotland and Northern Ireland).<sup>37</sup> The most famous social reform of the period was the National Health Service (NHS) established by this latter law. For the first time in the history of capitalism, a universal, comprehensive and free (at the point of service) healthcare system emerged. The NHS, which was founded by overcoming the opposition of the British Medical Association, soon diverted from its ideal form (for example, when the government changed in 1951, prescription charges were introduced). Yet it continued to be one of the most important symbols of the “welfare state”.

Just like the Bismarck model, it can be said that the Beveridge model and the “welfare state” in a broad sense were also preventive moves, because the prestige of socialism was very high worldwide, both during and after the Great Depression of the 1930s. Thanks to its planned economy, the Soviet Union had not been affected by the Great Depression and even had zeroed unemployment by embarking on a rapid industrialization move.<sup>38</sup> While the rich and haughty UK had not even started to discuss institutions like the NHS yet, the USSR had promised “equal, free, qualified

---

34 Renwick, *Bread for All*.

35 Belek, *Sosyal Devletin Krizi ve Sağlıkın Ekonomi Politikası*, p. 125.

36 Gough, *The Political Economy of the Welfare State*, p. 147; Renwick, *Bread for All*, chapter 10.

37 Asbjørn Wahl, *The Rise and Fall of the Welfare State*, translated by John Irons, London: Pluto Press, 2011, p. 28.

38 Özgür Öztürk, “Economic background of the collapse of the Soviet Union”, *Revolutionary Marxism* 2017, p. 142.

health care for everyone”.<sup>39</sup> In short, socialism had become a desirable option for laborers. Indeed, in the years following the war, a new wave of revolutions from Eastern Europe to China had shaken the whole world, and in Britain, the Labour Party had a landslide victory in the 1945 elections. Under such conditions, the so-called welfare state was not a favor bestowed on workers, but a necessary direction for the bourgeoisie. Moreover, as another conservative politician, Arthur Balfour, had already claimed a long time ago, social legislation was the “most effective antidote to socialism”.<sup>40</sup>

The Attlee government has not only implemented the Beveridge model but has also introduced an extensive nationalization program that covered about a fifth of the economy. In this context, important industries such as coal, gas, electricity, railways, iron, and steel have been nationalized, together with the Bank of England.<sup>41</sup> However, the government has not gone beyond this point and has adopted a system called the “mixed economy”. In other words, the aim was not to move to socialism and planned economy by changing the relations of production, but rather to limit the “negative” consequences of the free market with a Keynesian approach. The Fabian dream of passing to socialism step by step with constant reforms has remained an intellectual fantasy.

According to Gøsta Esping-Andersen, the post-war welfare states have been clustered around three models.<sup>42</sup> In countries such as the USA, Canada, and Australia there was the liberal welfare state based on a minimalist understanding of welfare; in countries such as Germany, France, Italy, Austria, the corporatist model that gives the state a more central role but also maintains traditional status differences; in the Scandinavian countries, the social-democratic welfare state based on a universalist approach. Later studies have suggested that a Mediterranean model can be added to these three groups, or different groupings can be created with different criteria.<sup>43</sup> The exact count of welfare state forms is debatable. But the more important question in the context of this paper is why and how the welfare state came to life, and this question cannot be answered without taking into account the post-war conjuncture and the USSR factor.

Before examining the causes of the rise of the welfare state, it will be useful to highlight two interconnected developments:

(i) First, in the post-war period, the social policy field has expanded enormously and covered the entire population (and many issues other than industrial relations). From a sectoral perspective, social policies started from specific sectors of industry (like mining and metal) in the 19th century, expanded to the entire industry, then to agriculture, then to the self-employed, and in the middle of the 20th century to the whole population. In terms of scope, workmen’s compensation insurance came first;

39 Özlem Özkan, “Sovyet Sosyalist Cumhuriyetler Birliği’nde Sağlık Hizmetleri” [“Healthcare Services in the USSR”], *Toplum ve Hekim*, vol 18, no 1, 2003, p. 33.

40 Wahl, *The Rise and Fall of the Welfare State*, p. 24, 33.

41 Renwick, *Bread for All*, chapter 11; Wahl, *The Rise and Fall of the Welfare State*, p. 36.

42 Esping-Andersen, *The Three Worlds of Welfare Capitalism*, p. 26-8.

43 Wil Arts and John Gelissen, “Three worlds of welfare capitalism or more? A state-of-the-art report”, *Journal of European Social Policy*, vol 12, no 2, 2002, p. 137-158.

this was followed by sickness, disability, and old age insurances, unemployment insurance, and family allowances.<sup>44</sup> In the field of education, compulsory primary education was followed by the proliferation of secondary schools and higher education after the war. The growth of industrial cities brought new regulations in areas such as housing and health. In the same period, there was also significant progress about universal voting rights, freedom of expression and association.<sup>45</sup> Such developments have undoubtedly not been spontaneous and the growth of the working class has led to the expansion of conflicts beyond the gates of the factory.

(ii) On the other hand, developments in social policy have also expanded the boundaries of state intervention. The post-war welfare states have regulated not only the economy but also the world of social relations, especially the family, which forms a critical moment of the reproduction of the labor force.<sup>46</sup> The war itself has played an essential role in such developments, but the more fundamental reason was the growth of the working class. For example, the transformation of women into wage laborers has led to the partial commodification of the duties (such as cleaning, cooking, caring for children, the sick, and the elderly) they have previously undertaken domestically within the framework of the patriarchal division of labor, and the workers' wage has now also covered these. The question about how these new needs created by the capitalist relations of production would be met (by the social workers of the state or through the market) has added new dimensions to class struggles.

### 3. The rise of the welfare state

The rise of the welfare state is the result of the mutual interaction of many factors. Class struggles and capital accumulation processes, which form the context of social policy, take place both on a national and international scale. In order to understand the institutionalization of the "welfare state" in a country, it is necessary to identify the global dominant trends first. The main factors within such a general framework can be listed as follows:

#### a. Class struggle

At the root of the post-war "golden age" lies the remarkable loss of power of the working class.<sup>47</sup> The working-class power has generally declined due to the increase in pressure on labor under the conditions of the Great Depression of the 1930s, the complete crushing of the working-class organizations in countries experiencing fascism, and the fact that workers were subjected to both ideological and physical destruction during the war. The secret of the growth miracles of countries like Germany and Japan in the 1950s lies here. In the USA, the workers' movement

---

44 Topak, *Refah Devleti ve Kapitalizm*, p. 53-4.

45 Gough, *The Political Economy of the Welfare State*, p. 35-37, 60.

46 Gough, *The Political Economy of the Welfare State*, p. 46-9; Esping-Andersen, *The Three Worlds of Welfare Capitalism*.

47 Ernest Mandel, *Kapitalist Gelişmenin Uzun Dalgaları [Long Waves of Capitalist Development]*, translated by Doğan Işık, İstanbul: Yazın, 1991, p. 25.

from below, which displayed an astonishing vitality between 1934 and 1937, was choked by the winds of war, and the war itself became a tool to discipline labor. In the post-war period, the Cold War and McCarthyistic anti-communism targeted workers' organizations. It is beyond doubt that behind the labor productivity increases in the golden age of capitalism lied the pressure on laborers. As Beaud notes, in this period labor productivity was increased with new techniques that resulted in lengthened working time, or increased labor intensity, and practices that led to further deterioration of working conditions (such as the shift system).<sup>48</sup>

On the other side of the coin, the workers' movement has gained enormous potential with the expansion of the geography lands of socialist construction after the war. The inclusion of Eastern European countries into the sphere of influence of the Soviet Union, and then the Chinese revolution, tilted the global balance of power in favor of socialism. In many European countries, communist parties came out of the war with high prestige. The welfare state gave workers some rights in this context. At a time when the working class had considerable achievements in the Soviet Union, the planned economy was scoring great success and crushed Hitler's fascism, many countries had been included in the socialist camp, and the pursuit of independence in the third world countries had accelerated, some gains on the part of the workers in the core capitalist countries was no surprise. But what made this possible was the increase in labor productivity, and more generally, economic boom. And the basis for the post-war economic growth in the core capitalist countries was primarily provided by the defeat of the workers' movement.

#### **b. The long expansionary wave**

The cyclical character of capitalist development is a long-known phenomenon. Capital accumulation has the form of nested cycles, some of these composed of several years, some others 8-10 years, and still others 25-30 years ("long waves"). Although the causes and start and end dates of the cycles are controversial, it is clear that the process does not involve any automatism. A significant contribution in this regard has come from Ernest Mandel.<sup>49</sup> According to him, periods of great depression due to the decrease in profit rate are more or less inevitable, but there is no guarantee of getting out of depression. For capital to recover from a great crisis (such as today) and increase its profitability, an essential condition is the weakening of the working-class power. But, another condition at least as important as this is the elimination of the inefficient, low-profit capital segments, the depreciation (devaluation) of capital.<sup>50</sup> This sometimes occurs in forms such as bankruptcies, closure of factories, and sometimes in ways such as physical destruction and war. Unless such a liquidation takes place, the overall profitability potential of capital remains limited.

In the long expansionary wave between 1945-1975, both conditions were met. The decline of the working-class power in most of the core capitalist countries at the

---

48 Michel Beaud, *Kapitalizmin Tarihi [History of Capitalism]*, translated by Fikret Başkaya, Ankara: Dost, 2003, p. 244.

49 Mandel, *Kapitalist Gelişmenin Uzun Dalgaları*.

50 Savran, *Üçüncü Büyük Depresyon*, p. 38.

beginning of the period, combined with the physical destruction of capital during the war, formed the ground for the post-war boom. Between 1948 and 1971, global industrial production increased by an average of 5.6 percent per year.<sup>51</sup> Periodically, this was the highest rate seen in the history of capitalism. Industrial investments, labor productivity, and economic growth rates remained high throughout the period. In the cases of Germany and Japan, growth rates were higher as a result of both the crushing of working-class organizations and the depreciation of capital in the harshest way possible. For example, between 1950-1970, labor productivity in the manufacturing sector increased by an annual average of 3 percent in the USA, 4.8 percent in Germany and 10.2 percent in Japan. The annual net profit rate in the manufacturing sector was 24 percent in the USA, 23 percent in Germany, and 40 percent in Japan (between 1955-1970).<sup>52</sup> In the following period, these figures decreased significantly in all three countries.

In short, the welfare state is the product of the long expansionary wave after the war. The economic recovery has brought a relative strengthening of the working class by shrinking the industrial reserve army, and real wages have increased due to the high unionization rate.<sup>53</sup> Between 1950 and 1970, real wages in the USA increased by an average of 2.6 percent annually, compared to 5.7 percent in Germany and 6.1 percent in Japan. In the same period, the unemployment rate was 4.2 percent in the USA, 2.3 percent in Germany and 1.6 percent in Japan.<sup>54</sup> As İlker Belek stresses, full employment is “the major component of the welfare state”.<sup>55</sup> In addition to high wages and low unemployment, the so-called “social wage” component also tended to increase. While only half of the workers in Western European countries were covered by social insurance (unemployment, disability, occupational accidents, and old age) in the 1930s, this ratio reached 80 percent in the 1970s.<sup>56</sup> During the period, the number of public sector employees also increased rapidly, and this sector, which has a high level of unionization, played an important role in fueling the working-class militancy in the late 1960s.<sup>57</sup>

### c. The US hegemony

The post-war expansionary wave that formed the basis of the welfare state has become possible by the weakening of the working class and the depreciation of capital. In addition to these two conditions, there was one further boosting factor: the capitalist world managed to overcome its hegemony crisis and became integrated under the leadership of the USA. During the (previous) inter-war period, the internal integration of world capitalism was weak, and there were imperial

---

51 Beaud, *Kapitalizmin Tarihi*, p. 241.

52 Robert Brenner, *Ekonomide Hızlı Büyüme ve Balon: Dünya Ekonomisinde ABD'nin Yeri [The Boom and the Bubble: The Place of the U.S. in the World Economy]*, translated by Bilge Akalın, İstanbul: İletişim, 2007, p. 23.

53 Gough, *The Political Economy of the Welfare State*, p. 72.

54 Brenner, *Ekonomide Hızlı Büyüme ve Balon*, p. 23.

55 Belek, *Sosyal Devletin Krizi ve Sağlıkın Ekonomi Politikası*, p. 123.

56 Topak, *Refah Devleti ve Kapitalizm*, p. 57.

57 Gough, *The Political Economy of the Welfare State*, p. 142.

blocs (e.g. the Sterling Bloc, the Frank Bloc) established by the leading imperialist countries. These blocs helped reduce the effects of the Great Depression for the imperialist countries, but also caused the loss of potential markets. During the inter-war period, the attempt to form a League of Nations had failed; by contrast, after the war, many international institutions such as the United Nations, the IMF, the World Bank, GATT, NATO and the World Health Organization were rapidly established – a fact showing that capitalism has managed to integrate in itself.

The Bretton Woods conference in 1944 set the framework for this integration. In the conference, both the international monetary system of the post-war period and the institutional legs of the new economic order (the IMF and the World Bank) were created. According to the new monetary system known as the “gold exchange standard”, the US dollar would be used as the world currency in international transactions, and the dollar would be convertible to gold at a certain rate. The dollar (and hence gold) exchange rates of other national currencies were kept constant. Exchange rates vary depending on the economic power of countries; thus it is not possible to keep them constant for a long time. At a time when the USA had almost three-quarters of the world gold reserves and was performing half of the world industrial production, this system worked. But the rapid recovery of other countries (in particular Germany and Japan), and especially France’s inclination to increase its gold reserves, formed cracks in the Bretton Woods monetary system.<sup>58</sup> With the rise of the military spending and external deficits of the USA during the Vietnam War, the international monetary system fell into crisis. In 1971, the convertibility of the dollar was cancelled, and in 1973, exchange rates throughout the capitalist world were left to free float. In other words, the US hegemony was weaker now.

However, together with the GATT agreement, the three-legged design (monetary system, IMF and World Bank) of this period played an important role in liberalizing world trade. The world trade volume increased at an average rate of 7.3 percent per year between 1948 and 1971. This rate was 3.7 percent between 1900-1913, 0.7 percent between 1913-1929, (-)1.15 between 1929-1938 and 0 between 1938-1948.<sup>59</sup> According to these data, the total increase in international trade volume was 67 percent in the first half of the century and 500 percent in the third quarter of the century.

#### **D. The internationalization dynamics of capital**

While significant steps were taken towards the liberalization of trade in this period, international capital movements were subjected to control. Yet this did not prevent the increase of cross-border direct capital investments. As a matter of fact, during the post-war expansionary wave, especially the US-based multinational companies usually focused on foreign direct investments, which were generally financed by profits from previous investments.<sup>60</sup>

58 Duncan Innes, “Kapitalizm ve Altın” [“Capitalism and Gold”], in Nail Satlıgan and Sungur Savran (eds.) *Dünya Kapitalizminin Bunalımı* [*The Crisis of World Capitalism*], İstanbul: Alan, 1988.

59 Beaud, *Kapitalizmin Tarihi*, p. 241.

60 Berch Berberoglu, *The Internationalization of Capital: Imperialism and Capitalist Development*

One of the most significant characteristics of the post-war era is the prominence of the productive form of capital (industrial capital) in the internationalization of capital. In the previous periods capital was usually exported in the form of money-capital (finance) flows, but now capital started to expand as a relation of production, and the geographical scope of capitalist relations of production was extended. Moreover, the expansion of the productive form of capital also accelerated the movements of commodity-capital (trade) and money-capital (finance). In other words, productive capital movements enlarged the circuits of capital as a whole. The fact that countries like Turkey managed to make the transition to the capitalist mode of production in this period is a result of the internationalization of capital.<sup>61</sup>

However, the internationalization of capital is an inter-national phenomenon. In other words, global capital movements take place within a space divided by nation-states. While it has been widely debated whether the post-war economic policies can be attributed to the Keynesian doctrine, it is clear that these policies were in accord with the spirit of Keynesian economics that gives privilege to industrial capital and the national economy.<sup>62</sup>

Stiglitz, one of the foremost advocates of a new welfare state program, remarks that there are parallels between the welfare state and the “developmental state”.<sup>63</sup> Although Stiglitz does not explain the reasons for this, his observation is correct. At the root of the parallelism lies the Keynesian approach. Keynesianism, defending the systematic intervention of the state in the economy, played a role in the post-war period not only in the economic policies of developed countries but also in the industrialization efforts of underdeveloped countries.

### e. Decolonization

One of the most critical developments in the post-war world is the new wave of political independence (decolonization). India, Pakistan, Ceylon, Burma, Indonesia in Asia; Iraq, Syria, Jordan, Lebanon in the Middle East; many countries such as Egypt, Sudan, Ghana, Tunisia, Morocco, Guinea, Madagascar, Algeria, Ethiopia, Libya, Somalia, Zaire, Burundi, Rwanda, Angola in Africa became independent in this period. The member count of the United Nations, established in 1945 with 51 members, increased to 99 in 1960, 126 in 1970, and 150 in 1980. The fire of independence, lit in North America in the last quarter of the 18th century, then in Latin America in the first quarter of the 19th century, now covered the whole of the colonial world in the third quarter of the 20th century.

The main reasons for the rapid elimination of classical colonialism can be summarized as follows: (i) From the viewpoint of the new hegemonic power of the imperialist world (USA), the old colonial groupings had to be disbanded. (ii) The independence demand of the Third World countries has been more effective due to the favorable conjuncture (the success of the Chinese revolution, the confidence

---

*on a World Scale*, Westport: Praeger, 1987, p. 30-1.

61 Özgür Öztürk, “Para, Finans ve Sermayenin Uluslararasılaşması” [“Money, Finance and the Internationalization of Capital”], *İktisat*, no 485-486, 2007.

62 Pilling, *The Crisis of Keynesian Economics*.

63 Stiglitz, “The Welfare State in the Twenty-First Century”, p. 6.

provided by the existence of the socialist bloc, the communist parties leading the struggle against imperialism in many countries, the domestic bourgeois classes now having more interest in independence). (iii) The political, economic, and social costs of colonialism increased (so that in some countries the colonial system was put to an end by the colonialist state).<sup>64</sup>

With decolonization, the old-style colonial empires eventually became history, and the capitalist world economy became organized based on nation-states. The concept of territorial conquest, which defines classical colonialism, gave way to more indirect (economic, political, military, and cultural) forms of domination specific to modern imperialism. With the spreading of industrial capital to new locations, capitalist production permeated into underdeveloped countries. In this process, some of the underdeveloped countries that were previously selling primary goods (unprocessed agricultural products and raw materials) to industrialized countries and buying manufactured goods in return also started to industrialize. The integration style of the former colonial countries with the world economy began to change, and as an intellectual reflection of this, the ideology of “development” emerged. In countries such as Turkey that have accelerated their quest for development during this period, the industrialization process usually started with giving priority to the domestic market (import substitution).<sup>65</sup>

The needs of industrial capital are different from commercial capital. Raw materials (of a certain quantity and quality) must continuously flow to the newly established factories, workers must be subjected to a certain discipline, and it must be possible to sell the commodities now produced on a large scale, thus the infrastructures of the internal market (roads, energy, etc.) have to be constructed. Consequently, unlike commercial capital, which plays a mere intermediary role between producers and consumers, industrial capital has a much more holistic form. In an underdeveloped country, industrialization under free-market conditions is almost impossible; on the contrary, a capitalist planning phase in which the state is involved is necessary. It is this necessity that brings the parallelism between the ideology of development and Keynesian policies. As a result, in the post-war world, Keynesian policies (representing the interests of industrial capital) were introduced in both the Western countries and the late industrialized countries. The welfare state and the “developmental state” are indeed relatives.

The development of capitalist production has brought the institutionalization of a social policy field in the late industrialized countries too. To be sure, there were regulations about labor relations in those countries even before the 20th century. However, the transition to capitalist production, together with the positive effects of the post-war world conjuncture, accelerated the evolution on this front. Here, the earlier experiences of capitalist societies also played a role. In Marx’s terms, the industrially more developed countries showed, to the less developed, the image of their future. In this sense, the “developmental state” of the post-war period included

---

64 Özgür Öztürk, *Emperyalizm ve Kalkınma [Imperialism and Development]*, MSc thesis, İstanbul: Marmara University, 2005.

65 Cyrus Bina and Behzad Yaghmaian, “Post-war Global Accumulation and the Transnationalisation of Capital”, *Capital & Class*, no 43, 1991, pp. 107-130.

a “welfare” component. Needless to say, this was very modest compared with the “welfare states” of the period (in Turkey, for example, unemployment insurance has come into effect only in the 21st century). The latecomers “suffer not only from the development of capitalist production, but also from the incompleteness of that development”.<sup>66</sup>

### 4. The meaning of the welfare state

It is seen that the welfare state has been brought to life by the complex interaction of many factors mutually feeding each other. The first point to be emphasized in this regard is that there is no ahistorical “social welfare state model” that can be applied in every conjuncture. The whole set of practices called the welfare state is peculiar to a specific historical phase of capitalist development. Undoubtedly, there is always a social policy field in capitalism, but this does not have to organize in the form of a “welfare state”. For example, social assistance, which is becoming more and more prominent in social spending today, and aiming at managing, not eradicating, poverty, just like the Poor Laws of the past, cannot be thought in any way with the notion of “welfare”.

The second point to be emphasized is that it is even controversial whether the welfare state is actually “pro-labor”. For example, in the USA, in the so-called welfare state period, some “social wage” payments to workers were financed entirely by taxes paid by the working class.<sup>67</sup> In another study of six OECD countries for the overall post-war period, it is found that the portion of social welfare expenditures exceeding the taxes paid by the workers was close to zero.<sup>68</sup> In a sense, what’s going on here is simply that a part of the workers’ income is being subjected to forced saving; thus the welfare state can be seen as an actor redistributing the income of the working class “horizontally”.<sup>69</sup> However, the control of the funds created by the savings of the workers remained in the hands of the state and private companies, not the workers’ organizations.<sup>70</sup> Before social policy, in the traditions such as the “provident funds”, the fund was controlled by the workers, while in the welfare state, the savings of the working class (seized in the form of taxes) have been put to the service of capital accumulation.

The third point is that the whole process is complex and full of contradictions. Therefore it is necessary to avoid short-cut reasoning and simple qualifications such as “good” or “bad”. The significant achievement of a period can lead to unexpected

---

66 Marx, *Capital*, vol I, p. 9.

67 Anwar Shaikh and E. Ahmet Tonak, “Refah Devleti ve Sosyal Ücret Efsanesi: ABD, 1952-1985” [“The Myth of the Welfare State and the Social Wage: USA, 1952-1985”], in Nail Satlıgan, Sungur Savran, and E. Ahmet Tonak, *Kapital’in İzinde [In the Tracks of Capital]*, İstanbul: Yordam Kitap, 2012.

68 Anwar Shaikh, “Who Pays for the ‘Welfare’ in the Welfare State? A Multicountry Study”, *Social Research*, vol 70, no 2, 2003.

69 Gough, *The Political Economy of the Welfare State*, p. 53, 111.

70 E. Ahmet Tonak, “Kapitalist Devlet Karşısında İşçi Sınıfı: ABD Örneği” [“The Working Class Against the Capitalist State: The Case of the USA”], in Nail Satlıgan, Sungur Savran and E. Ahmet Tonak, *Kapital’in İzinde*, İstanbul: Yordam Kitap, 2012.

results in the next. Marx's writings on factory laws bring many examples to this. Similar contradictory dynamics can also be observed in the welfare state practices. For example, retirement is an achievement, but it also deepens the dependence of the worker on capitalist relations of production. Unemployment insurance also functions similarly; an unemployed person is expected to meet certain conditions to receive this allowance and to accept the "alternative" job offered.<sup>71</sup> In general, the growth of the working class expands its ranks, but also adds many new layers, and it becomes more difficult to carry out a common struggle. Women's participation in the workforce creates a huge emancipation potential, but at the same time absorbs this potential under the form of wage slavery, and increases the workload of women because of the patriarchal structures. In general, the internationalization of production and new methods such as flexible production and lean production, which have accelerated after the 1970s, have increased the divisions within the working classes of the world. Thus the gain of one sometimes means the loss of the other. Hence it is necessary to avoid shortcut judgments and to always move from the concrete analysis of a concrete situation.

Finally, the fourth point is that the welfare state can by no means be seen as a step on the road to socialism.<sup>72</sup> On the contrary, concrete practice shows that the welfare state was precisely designed and implemented to preclude the socialist option. In the field of social policy, especially in the boom phases of the economic conjuncture, it is possible to achieve some gains by organized struggle, and this is very important, but it cannot be said that these gains will "accumulate" and at some point become a means of transforming capitalism. Neoliberal policies, which have marked the last forty years, must have shown that no social "right" is indisputable from the perspective of capital. Even some gains (such as the right to a paid holiday) that are not directly targeted in today's capitalist production relations can be rendered meaningless in various ways (subcontracting, informal, migrant labor, etc.).

## 5. The crisis of the welfare state

The welfare state and Keynesian policies, which seemed like a brilliant success for some time, came to a deadlock in the mid-1970s. In this period, world capitalism fell into a deep crisis, and the welfare state was liquidated step by step, both under the pressure of its internal contradictions and under the conditions of the great crisis, which it constituted a part of.<sup>73</sup> It is certain that the welfare state has deeper roots and is more resilient in some locations such as the Scandinavian countries. But it is also certain that it has lost its character of being a general "model" in the capitalist world. As a matter of fact, as of the beginning of the 21st century, it is gradually eroded in the Scandinavian countries too.<sup>74</sup>

---

71 Gough, *The Political Economy of the Welfare State*, p. 33.

72 Belek, *Sosyal Devletin Krizi ve Sağlığın Ekonomi Politikası*; Denizcan Kutlu, *Türkiye'de Sosyal Yardım Rejiminin Oluşumu: Birikim, Denetim, Disiplin* [*The Making of the Social Relief Regime in Turkey: Accumulation, Control, Discipline*], Ankara: NotaBene, 2015, p. 136.

73 Gough, *The Political Economy of the Welfare State*, p. 128.

74 Wahl, *The Rise and Fall of the Welfare State*, pp. 107-115.

The crisis of the 1970s resulted from the decrease in industrial profit rates. When the 1960s and the mid-1970s are compared in this respect, it is seen that the profit rates in all major capitalist countries decreased between one-third and two-thirds of the old level.<sup>75</sup> Although there are many reasons for this decline, two factors should be mentioned in particular: the first is that the new investments that increased labor productivity in the industry during the post-war “golden age” at the same time increased the organic composition of capital and put pressure on the rate of profit. The second is that the increase in the rate of exploitation could not overcome this pressure due to the increasing combativeness of the working class throughout the period. Labor and student movements in the core countries peaked towards the end of the 1960s; for example, the number of workdays in strike snowballed.<sup>76</sup> All these developments are signs that the working class, whose power and self-confidence increased during the welfare state era, moved towards a more militant line. Moreover, this orientation was not only visible in the core countries but also in the late industrialized countries like Turkey. One aspect of the general crisis of capitalism was the crisis of domestic market-based accumulation in the late industrialized countries.

Another cause of the general crisis is the decline of US hegemony. While competition has intensified in the capitalist world, investments within the USA have decreased relatively. The remarkable economic growth of new competitors such as Germany and Japan led to a decrease in the share of the USA in the world economy.<sup>77</sup> When the increase in military spending due to the Vietnam War and the loss of political prestige after the defeat were added, the undisputed leadership of the USA ended in the 1970s. The collapse of the Bretton Woods monetary system between 1971 and 1973 is another visible expression of the weakening of hegemonic stability.

The collapse of the world monetary system and the decline in profit rates in the industry brought the expansion of the credit system and capital’s turn towards finance. The credit boom experienced throughout the world in this process led to a rapid escalation of loans to late industrialized countries, and eventually to an international debt crisis in the early 1980s.<sup>78</sup> It is known that this crisis served as an essential pretext for imposing neoliberal policies on the late industrialized countries.

As a result of the decrease in profit rates in the core countries, capital turned towards financial markets on the one hand, and on the other hand, it started to shift production to Asian countries such as South Korea, Malaysia, Taiwan, Singapore, Hong Kong (and then to China, Vietnam, and India). Capital migration led to a further decline in industrial investments, and an increase in unemployment (consequently to the weakening of the working class) in core countries, and in the end, social spending became “unsustainable”. With decreasing tax revenues and increasing debts, the states fell into “financial crisis”, and the welfare state turned

---

75 Andre Gunder Frank, *Crisis: In the World Economy*, New York: Holmes & Meier, 1980, p. 34.

76 Ibid., p. 103.

77 Brenner, *Ekonomide Hızlı Büyüme ve Balon*.

78 Neşecan Balkan, *Kapitalizm ve Borç Krizi [Capitalism and the Debt Crisis]*, İstanbul: Bağlam, 1994.

into an obstacle to capital accumulation.<sup>79</sup>

The neoliberal attack that liquidated the welfare state is the product of such a context. Neoliberal policies will not be examined in this paper, but it should be emphasized that the liquidation of the welfare state does not mean reduced public spending. For example, in the 1980s, the US arms spending increased remarkably under the Reagan administration (which is called “military Keynesianism”). Throughout the world, social spending has not decreased in some areas such as healthcare. But the main reason for this is not a development in the quality and coverage of health services, but rather, as seen in the city hospitals model in Turkey, the use of public resources to secure the profitability of capital. Besides public spending, private health expenditures also tend to increase. In many countries, the health sector is an important part of national income.<sup>80</sup>

It may seem like a paradox at first, but neoliberal policies have not succeeded in reducing public spending. Increasing unemployment has resulted in the expansion of the budgetary resources reserved for unemployment compensations. The proliferation of part-time, low-pay, and precarious forms of employment has resulted in more poverty, which has brought an enormous increase in social aids. Moreover, the last thirty years have witnessed a new wave of proletarianization worldwide, especially in the late industrialized countries. Hence the number of formally employed workers has also increased, as well as the number of people who have access to pension schemes, public education, public health, housing, etc. The neoliberal period is beyond the scope of this paper, but it is worth mentioning that the size of public spending alone is not an indicator of “welfare”.

The interesting point is that the crisis of the welfare state coincides in time with the crisis of the socialist construction processes. In the 1970s, not only world capitalism but also the countries that were undertaking socialist construction, especially the Soviet Union, fell into crisis. Undoubtedly, the crisis faced by countries in this second group stemmed from different reasons.<sup>81</sup> However, towards the 1980s, the attractiveness of the socialist option has decreased among the working masses. For example, the USSR started to charge healthcare services in the 1970s, and problems in this field became unconcealable. The Primary Health Care Conference, convened in Alma-Ata in 1978 with the proposal of the USSR, is the product of such a context. Even if the goals set at this conference are considered meaningful for the capitalist world (which is controversial), for the Soviet people “it would not be wrong to say that it was the loss of gains and the confirmation of loss”.<sup>82</sup> The weakening of the socialist alternative should be considered as one of the main factors that facilitate the liquidation of the welfare state.

79 Gough, *The Political Economy of the Welfare State*, p. 94-108.

80 Belek, *Sosyal Devletin Krizi ve Sağlıkın Ekonomi Politikası*.

81 Öztürk, “Economic background of the collapse of the Soviet Union”.

82 Onur Hamzaoğlu, “Reel Sosyalizmin Çözülüşünün İpucu: Alma Ata Bildirgesi” [“The Clue of the Dissolution of Really Existing Socialism: The Alma-Ata Declaration”], *Toplum ve Hekim*, vol 17, no 2, 2002, p. 110.

## **6. Is a new welfare state possible?**

From the discussion up to this point, it must be clear that there are serious obstacles to a “welfare state” type institutionalization today. There are several reasons for this:

(i) Welfare state institutions were the products of the post-war expansionary wave. This wave ended in the mid-1970s. It is clear that the working class was defeated on a global scale in the subsequent neoliberal period, but this alone is not enough to get out of the crisis. Besides, capital has still some way to go in this direction (in some locations, especially in Europe, workers have managed to at least partially protect their positions, and in the Latin American continent, they have even mounted an attack against capital since the 1990s). The other basic condition for getting out of the depression phase, that is, the depreciation of capital, has been postponed until the 2000s for various reasons.<sup>83</sup> In the new Great Depression era that started with the 2008 crisis, it will probably be more difficult for workers to achieve anything in any field. The unorganized and miserable situation (compared with the past) of the working class around the world should make us think that the attacks of capital will gradually intensify.

(ii) Today, the absence of a socialist bloc to make pressure on capitalist countries is another factor that will probably frustrate the expectations of a new welfare state. For example, in the field of healthcare, there was no significant improvement in the forty years between the 1978 Alma-Ata Conference and the 2018 Astana Conference, since there was no solid reference point that would provide an example for laborers. The World Health Organization itself confesses that the “healthcare for everyone in 2000” goal of the Alma-Ata Declaration was not reached.<sup>84</sup> Cuba is the only country that has reached that goal, five years before the deadline.<sup>85</sup> Today, in the context of the 2020 presidential elections, the world’s richest country is discussing how to finance the “Medicare-for-All” proposals, while poor Cuba is miles ahead of the USA in this respect. The case of Cuba shows that if the workers take over political power (even under adverse conditions), they can achieve real gains. But it is clear that compared with the former Soviet Union, Cuba’s influence on the international proletariat is minuscule.

(iii) The welfare state came to the fore at a time when industrial capital was relatively strong. This period was marked with Keynesian economic policies, financial excesses were restrained, and increases in industrial labor productivity have enabled relatively high wages and accompanying forms of “social wages”. The inevitable rise of financial capital after the crisis of the 1970s has restricted industrial investments and labor productivity increases in the capitalist world. It seems difficult to get out of depression and implement a new welfare state program without serious transformations on this front.

---

83 Savran, *Üçüncü Büyük Depresyon*, p. 38.

84 Bülent Kadri Gültekin and Kayıhan Pala, “‘Herkes İçin Sağlık’ Alma-Ata’dan 21. Yüzyıla” [“Healthcare for Everyone: from Alma-Ata to 21st Century”], *Toplum ve Hekim*, vol 15, no 4, 2000, p. 298.

85 Akif Akalın, “Alma Ata Bildirgesi Nasıl Değerlendirilmeli?” [“How Should The Alma Ata Declaration Be Evaluated?”], *Madde, Diyalektik ve Toplum*, vol 2, no 1, 2019, p. 105.

(iv) On the other hand, the national economy, which forms the backbone of Keynesian policy, has also weakened as a checkpoint. The internationalization process of capital, which has accelerated under the leadership of industrial capital in the post-war period, has reached an enormous scale since 1970, but this time under the leadership of financial capital. The power of multinational companies that plan production on a global scale and financial institutions that dominate huge funds has increased. In such an environment, when certain additional rights are granted to the working class in any country, sudden capital outflows may drag that country's economy into a crisis.<sup>86</sup> In other words, the disciplinary power of the market has become more visible. The formation of an "international social policy" field is perhaps possible. But in a world divided by nation-states, it is not easy for the labor movement to organize on a world scale like capital. Capital is much more organized on a world scale, as well as domestically.

(v) In the context of today's Great Depression, there may be some who think that the "welfare state" program can be brought up *by capital itself* to get out of the crisis. Indeed, proposals for a new welfare state actually do not address the working class, but the states and the capitalists. In other words, such suggestions implicitly include the idea that the capitalist class also needs the welfare state or similar programs today. Detailed criticism of such arguments is beyond the scope of this paper.<sup>87</sup> However, it is necessary to draw attention to the following points: It is known that in times of crisis capitalist states turn to various "Keynesian" measures such as increasing public spending, which was also the case in the 2008 crisis. Yet such measures that at first alleviate the severity of the crisis to a certain extent, elevate the problems of individual capitals and sectors to national and international levels, and by expanding the scale and scope of the crisis, prepare the ground for a tougher new crisis. On the other hand, a crisis of this sort can only be overcome with processes that increase the rate of profit; this requires new technologies to boost labor productivity, new investments, the elimination of inefficient capitals (through bankruptcies, destruction of productive forces, etc.), as well as further pressure on workers' rights. The primary concern of capital and the state is not to increase consumer demand, which is just a part of the aggregate demand, but rather to boost investments and the rate of profit by suppressing that part. In the case of the US of the 1930s, it was the world war that provided the way out of the crisis. The so-called "welfare state" is not a program for capital to overcome the crisis, but a very specific experience that has been possible only within a boom conjuncture, and under the pressure of the working class and socialism on a world scale. In today's conditions, expecting capital to turn to such programs, designing a "working" capitalism that is free from contradictions, is in a sense dreaming, but in another sense, is an expression of a desire to eliminate the socialist option from the start, with the intuition that the situation is getting worse for capital. However, from

---

86 Prabhat Patnaik, "Yeni Emperyalizm" ["The New Imperialism"], in Emine Tahsin and Murat Öztürk (eds.) *Yeni Emperyalizmin Ekonomisi [The Economics of the New Imperialism]*, İstanbul: Yeni Hayat, 2005.

87 For a detailed critique of Keynesian approaches and under-consumptionist theories, see Savran, *Üçüncü Büyük Depresyon*, pp. 167-239.

the perspective of capital, there is currently no reason to compromise on neoliberal policies.

In short, the “welfare state” was a parenthesis in the history of capitalism, and that parenthesis has already closed. If the organized workers’ movement gains strength, if socialism becomes a serious alternative again, and if world capitalism manages to recover from depression, in the long term it is, of course, possible or even inevitable for a new welfare state to come on the agenda. But it is known by experience that no welfare state can be permanent. Besides, today’s world has gone far beyond the level to keep the destructive tendencies of capital under control. At the end of a long historical process, we’ve reached a point where the only way to stop Frankenstein is to destroy him, the only way to prevent Dracula is to stick a stake in his heart.

## Conclusion

Today, workers make up the majority in almost every country. The ratio of wage or salaried workers in total employment has exceeded 50 percent worldwide in the last decade.<sup>88</sup> As the level of development increases, the proportion of wage earners also increases. This rate is close to 70 percent in Turkey, and in advanced capitalist countries ranges between 85-95 percent (85 percent in Britain, 88 percent in France, 90 percent in Germany and Japan, 94 percent in the US). In short, workers constitute an overwhelming portion of the working population. When we say “humanity” or “people”, in practice, we talk about a vast mass of workers and laborers.

The working class is growing, but on the other hand, it is relatively impoverished. According to the latest data of the World Labor Organization ILO, covering 2004-2017, the share of labor incomes in national income is decreasing; in the specified period, this rate has dropped from 53.7 percent to 51.4 worldwide and from 55.6 percent to 52.9 percent in the G20 countries.<sup>89</sup> In other words, in the 21st century, workers are unable to achieve the level of “well-being” they deserve, even though they constitute the majority of the population and grow day by day.

The vast mass of workers is made up of layers and sections that differ in many respects (by sector, gender, wage level, ethnicity, etc.). However, it can be said without any hesitation that some issues concern all workers. For example, low unemployment, easy job finding, short working day, and satisfactory wages; humane working conditions; more resources devoted to health, education and social security; trade union rights and a democratic political environment to express these demands – these are the common expectations of all. These are simple, reasonable and humanistic expectations, and they can be met easily at the current level of global production.

However, these basic demands of the largest part of the society do not seem to be

---

<sup>88</sup> The Worldbank, “Wage and salaried workers, total (% of total employment) (modeled ILO estimate)”, <https://data.worldbank.org/indicator/SL.EMP.WORK.ZS?view=chart>, accessed: September 2019.

<sup>89</sup> ILO, “Labour income share as a percent of GDP (%)”, [https://www.ilo.org/shinyapps/bulkexplorer6/?lang=en&segment=indicator&id=SDG\\_1041\\_NOC\\_RT\\_A](https://www.ilo.org/shinyapps/bulkexplorer6/?lang=en&segment=indicator&id=SDG_1041_NOC_RT_A), accessed: 14 November 2019.

met under the conditions of contemporary capitalism. While automation, computer, and communication technologies are developing, unemployment is increasing at the same time; though the machines undertake a significant part of the production, the working hours are getting longer; also, working conditions are deteriorating gradually, and flexibility, precariousness, and subcontracting are becoming the rule. In healthcare, education, and social security, the conditions are deteriorating every day. Income and wealth inequalities are deepening. Moreover, the new Great Depression that started in 2008 is aggravating social problems. Today, the general economic crisis is accompanied by authoritarianism and even fascist trends in the political sphere, the ecological crisis which has become a global issue, and increasing irrational tendencies at all levels.

The way out of this nightmare lies at the international organization of the working masses. Undoubtedly, as (or if) the organization and struggle capacity of the workers increase in this process, in some countries some regulations such as the “welfare state” may come (or inevitably will come) on the agenda. However, as discussed in this paper, such tendencies are always limited by the process of capital accumulation. Thus the rights/gains that workers can achieve in a capitalist society (compared to a socialist alternative) will be both limited and “reversible” due to the fluctuations of the economic conjuncture. The gains of workers can only become permanent if political power is captured by the workers. In other words, it is necessary to struggle for various rights/gains included in the “welfare state” type institutions, but an understanding of struggle just limited to this is not enough. It seems imperative that workers and their organizations go beyond the narrow horizons of the economic struggle and directly target political power. And this does not happen “spontaneously” but only if they merge with the socialist political movement that defends the power of labor. Humanity needs a new political-economic form that has to be organized on an international scale.