

Ian Gough

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**Article (Published version)
(Refereed)**

Original citation:

Gough, Ian (1978) *Theories of the welfare state: a critique*. [International Journal of Health Services](#), 8 (1). pp. 27-40. ISSN 0020-7314 DOI: [10.2190/W1U7-NXMM-YUCQ-PVJ1](#)

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Available in LSE Research Online: January 2015

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THEORIES OF THE WELFARE STATE: A CRITIQUE

Ian Gough

The article considers three major non-Marxist explanations of the modern welfare state: functionalist sociological theories, economic theories of government policy, and pluralist theories of democracy. Each is subjected to a critique and all are found wanting, in that none can satisfactorily explain the observable similarities and differences in state welfare intervention within advanced capitalist countries. Functionalist theories can explain the dominant trends at work within all countries, but not the immense diversity in state policies which still persists. Economic and pluralist theories can explain the diversity but not the determinant trends. This failing is related to the separation of objective and subjective aspects in historical explanation: the first school objectifies history, the second subjectifies it. The article concludes by asserting, but not arguing, that a Marxist approach offers a more fruitful way of understanding the welfare state, insofar as it rejects this separation.

Let us accept, for the purposes of the argument here, Asa Briggs' definition of the welfare state as "a state in which organized power is deliberately used (through politics and administration) in an effort to modify the play of market forces in at least three directions" (1, p. 29). The directions he cites are the provision of a minimum income for all, the provision of income for specific "social contingencies" like sickness or old age, and the provision of a certain range of social services.¹ This list is clearly incomplete, omitting as it does a series of indirect means of "modifying the play of market forces" by way of state legislation rather than direct state provision of benefits in cash and kind. Nevertheless, broadly conceived, the welfare state is a recognizable feature of all advanced capitalist countries, at least since the Second World War. It is with various *theoretical explanations* of this phenomenon that this article is concerned.

However, any acceptable theory of the welfare state must not only explain its *existence*, but also two further observable features:

1. The *similar trends* at work on state welfare intervention in all such countries;
2. The immense *diversity* in the nature and scope of the welfare state which still persists.

As an example of common trends, I would cite the ubiquitous tendency for state

¹My use of the term "welfare state" should not be taken to imply that I accept its usual ideological connotations. It is used merely as a convenient shorthand term to designate the type of state interventions listed by Briggs.

expenditure on the social services as a share of GNP to rise over time. A report published by the Organisation for Economic Co-operation and Development in 1972 commented: "the most striking feature is the extent to which education, health and social security were responsible for the rising share of government expenditure over this period" (1955-1969) in all such countries (2, p. 56; see also 3). A second tendency, rather more difficult to document, is for state policies between countries to *converge* in important ways. Thus in the field of social security, those countries, chiefly in Europe, which early on initiated state social insurance schemes for specific occupational groups, are now modifying and extending them in similar ways:

- by moving toward universal coverage of the whole employed population,
- by reducing differences in treatment of various social and occupational groups,
- by establishing more unified administrative structures,
- by shifting to pay as you go financing,

and last, but very important,

- by incorporating for the first time a national social minimum within the insurance scheme.

Similar tendencies are also at work within the U.S. social insurance system. On the other hand, those countries, such as Britain and the Scandinavian countries, which early on established minimum income social assistance schemes and, in the decade following the Second World War, universal insurance schemes, have all since established earnings-related insurance schemes along continental lines.² So there is a tendency toward convergence of policies in this field. Again, policies on health care exhibit markedly similar trends across countries with very different systems (4). So the first feature requiring explanation is the similarity of trends at work within the welfare state.

The second feature, however (the other side of the same coin), is the immense structural diversity which persists between the welfare roles of states in different countries. The relative "backwardness" of the U.S. in welfare provision has often been commented on. Alone of the advanced capitalist countries (with the possible exception of Japan), it has no comprehensive health insurance system, nor any form of family allowance. Even within the European Economic Community the importance and value of child benefits, for example, varies enormously between France and Belgium, on the one hand, and West Germany, on the other (5).

These, then, are the major empirical features of the contemporary welfare state which any theory must attempt to explain. To this end, I consider three major schools of non-Marxist thought. These might be labelled the sociological, the economic, and the political. They comprise:

- functionalist theories of the welfare state,
- economic theories of government policy, and
- pluralist theories of democracy.

²Much of this was suggested by reading R. Lawson's thoughtful paper, "Approaches to Pensions: Some European Comparisons" (unpublished manuscript).

Clearly, these approaches differ widely in scope and subject matter. My focus here is solely on the contribution each has made toward an understanding of the contemporary intervention of the state in the areas outlined above. Wider theoretical questions will be raised only insofar as they have a bearing on this. In each case the explanations will be criticized utilizing criteria internal to contemporary social science. To anticipate, I shall argue that all three approaches are inadequate, in the sense that they cannot explain all the features of the contemporary welfare state enumerated above. Elsewhere I argue that a Marxist approach offers us a way out of this impasse.

Before beginning the main argument, however, note that only those explanations of social policy which warrant the title "theories" are examined here. Much writing in this field is descriptive in nature, narrating the policy-landmarks of state welfare intervention. The history of the welfare state is conceived as a series of events or incidents essentially linked by the continuum of time. Insofar as an explanation of these changes or innovations in policy is provided, it is often in terms of the influence of a handful of "great men." For C. V. Dacey, the author of *Law and Opinion in England in the Nineteenth Century*, published in 1905, the dominant role was played by great thinkers—philosophers, jurists, social theorists, etc., who shaped the opinion of those citizens active in public life. According to Goldthorpe (6),

In Dacey's account of the nineteenth century revolution in government, of which the making of social policy is seen as a central feature, it is still individual thinkers who are the heroes and it is their philosophies and doctrines which appear as the ultimate agencies of social change.

For others, the role played by "practical men"—civil servants, doctors, engineers, educationalists, social investigators, or whoever—is stressed: all far-sighted visionaries or humanitarian reformers concerned to neutralize so far as was possible the harmful effects of industrialization in the 19th and 20th centuries.

We do not intend to waste time on these descriptive accounts of social policy development, though this approach has been prevalent, unfortunately, in much British and American writing. The link between descriptive or empiricist history and an emphasis on the role of great men has been revealed and criticized by Carr (7) and Stedman Jones (8), among others. As Stedman Jones recounts (8, pp. 98, 113),

... so much history was focused upon the constitution and upon "great men." For non-sensible realities like class, mode of production or politically and culturally determined patterns of behaviour were not empirically verifiable. . . . Those who tried to create theory out of facts never understood that it was only theory that could constitute them as facts in the first place. Similarly, those who focused history upon the event failed to realise that events are only meaningful in terms of a structure which will establish them as such.

So the focus below is on the major *theoretical* traditions within non-Marxist thought.

SOCIOLOGICAL THEORIES OF THE WELFARE STATE

There are two major schools within sociological writing on the welfare state. First, the "consensus" school, best represented in Britain by T. H. Marshall (9), charts a gradual development of citizenship and social rights in Britain and elsewhere. Second, the "industrial society" school, represented by Wilensky and Lebeaux (10) and the

later writings of Galbraith (11), stresses the imperatives of industrialization for social policy. I shall consider each in turn.

The first school sees the welfare state as an enlightened response to the misery and degradation of life wrought by the industrial revolution in the 19th century. There are differences of approach here between those who emphasize *rationality* or *morality* in this process. The former would see social policies as the result of "rational" solutions to certain preexisting social problems; the latter as "morally right" (by which is normally meant Christian) solutions to those social problems (12). In either case, this type of explanation of the rise of the welfare state resembles the more *ad hoc* explanations in terms of the ideas and actions of "great men." But it differs in recognizing that the ideas these men hold do not appear *ab initio*. Instead, full recognition is accorded to the prior existence of a material "problem": the social policy subsequently initiated is then seen as the only rational or morally right response to that problem.

It is apparent that this theoretical approach is founded on a consensual model of society. There is a profound agreement within society, or at least among substantial sections of it, not only on what constitutes a "social problem," but also on the broad lines of policy to deal with it. There is no room for a fundamental conflict between different groups over values and over state policies. Yet many social historians find it necessary to incorporate conflict in order convincingly to explain certain events, as, for example, Gilbert (13) in his study of the origins of national insurance in Britain. Furthermore, the dynamic of society is seen as unilinear, as with Marshall's view (9) of the spread of citizenship rights. Any regress in the rise of the welfare state would appear to be out of the question, yet this is at least a possible development in the coming years.

At first sight the second group of theories considered in this section appear very different. They stress the needs of "high-energy technology" (Wilensky and Lebeaux) or the "organic requirements" of the "industrial system" (Galbraith) when explaining the development of social policy. However, on closer inspection these too are based on a consensus model of society, while others have argued that both groups of theories are members of a broader tradition known as functionalism. I will elaborate the technological explanation of social policy before proceeding to a critique of both.

According to Galbraith (11), modern technology possesses certain characteristics (such as the growing time-scale and inflexibility of production) which "compel" the adaptation of the economic structure (the rise of large corporations) and of the state (the growing range of functions and level of state expenditure). The result, if carried to its logical conclusion, is the pervasive ideology that all advanced industrial countries (capitalist and noncapitalist) are "converging" toward a common structure. This is sometimes termed "postindustrial society" and is regarded as most proximately realized in the contemporary U.S. Now, moving closer to our central concern here, Wilensky and Lebeaux apply this paradigm to explain the development of social welfare in industrial societies in the following way (10, p. 181):

Technological changes of industrialism lead to changes in the structure of society; these societal changes, in the context of American culture . . . produce or intensify concern about certain social problems, which creates a demand for welfare services.

Let me illustrate this in terms of the family. Modern industrial society requires a high degree of personal mobility, for which the nuclear family is best suited: "the factory system creates a family system that best fits its needs" (10, p. 81). But in doing so, new social problems are generated: the elderly are left stranded, strains are imposed on youth, and married women experience conflicts between their two roles.³ This in turn generates a variety of social services to deal with their problems: old-age pensions, welfare services, probation work, etc. Conclusion: "much of social welfare service in America can be seen as a response to the impact of industrialization on family life" (10, p. 67). In the appendix to Wilensky and Lebeaux's book this is explicitly backed by a Parsonian functionalist analysis setting out the four conditions which must be met to ensure "societal survival."

It is this determinist approach which provides the implicit framework for econometric studies of government expenditure. In these, items of government expenditure are correlated with GNP per head and other variables, both for single countries over periods of time (time-series analysis) and for different countries at the same point in time (cross-section analysis) (14). One common conclusion is that welfare expenditure rises with income per head over time. "Economic growth and its demographic and bureaucratic outcomes are the root cause of the general emergence of the welfare state" (14, p. xiii). But all such studies face a problem in explaining the lack of correlation, within advanced capitalist countries, between welfare expenditure and income on a cross-section basis, one concrete example being the relatively low state expenditure on health services in some of the most affluent countries like the U.S. To cope with this problem, a variety of refinements are added; for example, the effect of "cultural factors" on social policy, or the role of different government structures, or the differing importance of working-class organizations between countries (14). All these add to the explanatory power of the theories, but unfortunately all are destructive of the original functionalist framework. For within this problematic, these amendments are inevitably contingent and *ad hoc*.

It is now time to consider more precisely the essence of such functionalist theories before proceeding to a critique. What is a "functional" explanation of social policy? According to Goldthorpe (6, pp. 50-51), it is one wherein

the explanation of the growth of such provision is *ultimately* to be given not in terms of particular group interests and pressures; but rather, in terms of the objective "demands" of certain social situations which are seen as virtually imposing particular courses of action.

Or, in the words of Carrier and Kendall (12, p. 211), it is one

based on the assumption that action is determined by external and constraining social and non-social forces, and that a proper understanding of the latter can provide a *complete explanation* of the former.⁴

³"At the same time, industrialism creates the social problem of the aged, of youth, of the role of women" (10, p. 81). It appears that the only nonproblematic group are middle-aged men!

⁴My emphasis. In my view, it is the second half of this definition which is significant. It is permissible, indeed necessary, to analyze the *functions* of the state. *Functionalism*, however, proceeds to *explain* the policies pursued in terms of their functions, pure and simple, without studying the real historical factors which generate them.

So the existence of certain system imperatives (like the requirements of technology or industrial society) "produces" the requisite state policies.

Clearly, the central problem with this approach concerns the meaning of a "functional imperative." For Goldthorpe, one must always necessarily include the values of society, or at least those in power, in order to understand *which* of a *number* of alternative "solutions" to a particular "problem" is adopted.

When it is said by historians that a particular social problem "had to be dealt with" or that a particular piece of legislation was "imperative" or "inevitable," what, apparently, is meant is that the alternative to action of the kind taken was such as to be clearly incompatible with the ends of those, at least, who were in a position to make the effective decision (6, pp. 53-54).

Now this criticism is correct so far as it goes, but that is not far enough, for Goldthorpe still tends toward a cognitive model of social problems, whereby these problems are readily apparent to members of the society. According to Carrier and Kendall (12, p. 212), there is a further

failure to examine the processes involved in the creation of "the social problems of society" by disregarding the possibilities that there may not be consensus in society about whether a certain social phenomenon is a "social problem," and that even where such consensus exists the exact "nature of the social problem" may be in dispute.

As they point out, in South Africa "a basic traditional social problem—death due to starvation—is denied official existence." So the development of industrial society there has certainly not "called forth" the necessary policy responses, or rather has called forth a response completely outside the Western tradition of welfare, premised as it is on a different structural role for the Bantu family.

From this basic misconception flow the other errors and inadequacies of functionalist explanations. It too is premised on a consensual model of society, and the criticisms advanced against that school apply equally well here. Finally, both neglect the concrete findings of historians and students of comparative social policies. Bismarck's Prussia, Edwardian England, and the New Deal in the U.S., for example, represent quite different paths toward the "welfare state." As Goldthorpe notes, a functional explanation is hard put to explain the diversity of social policies which we observe within the advanced capitalist countries.

ECONOMIC ANALYSIS OF GOVERNMENT POLICY

Health workers or anyone else interested in the welfare state might expect economic theory to have something important to say on a topic of such manifest importance today. On the whole they would be disappointed. If they did venture into this terrain they would experience a mild (or perhaps acute) schizophrenic feeling, so far divorced is much of the discussion from anything resembling the reality of the modern welfare state. In no area perhaps has the decline of political economy and the split between economics and sociology yielded such barren fruit. This is related to the "normative" stance of much economic writing on government policy. It is not intended to *explain* the growing role of the state or similar questions at all, but to provide criteria for evaluating government policy and to lay down guidelines for the future. Even in

these terms, however, it cannot claim a great deal of success, partly due to the deep division which persists between neoclassical and micro-economic theory and Keynesian macro-economic theory.

Neoclassical economic theory of government policy is founded on the twin bases of liberal political theory and welfare economics. Recently these two pillars have tended to shift outwards from each other, resulting in some frightening cracks in the edifice, but for a long time they appeared harmonious (see Macpherson, reference 15, for an interesting perspective on the relation between the two). Since the 17th century, liberal theory has propounded the doctrine of individual rights and limited government in the interests of political and economic freedom. Modern proponents, such as Milton Friedman (16), the monetarist economist, have spelled out the functions a government must necessarily perform to fulfil these conditions. It must:

- act as rule maker and umpire,
- define and enforce private property rights,
- provide a stable monetary framework,
- prevent, so far as possible, the formation of monopolies (though Friedman is unsure whether a public monopoly is better than a private monopoly),
- provide necessary "public goods," that is, those goods and services, such as defense or the proverbial lighthouse, which cannot be consumed individually but necessarily "benefit" all members of that society, and
- compensate for the effect of glaring "externalities" in production and consumption, that is, where the action of one party harms or benefits another party.

The last two functions on this list are most relevant to welfare policy, and they, together with the fourth function, draw for their legitimation on welfare economics.

Welfare economics has developed since Pareto and Pigou to provide criteria for evaluating the "welfare" effect of various policies. It argues that the unrestrained operation of the capitalist market will maximize "welfare" except in certain circumstances. The state should thus refrain from disturbing this allocation of resources unless to counter those forces which will prevent the attainment of this "ideal output." The major problems here are the existence of increasing returns to scale and monopolies, public goods, and "spillover effects." In fact, all can be classified as subsets of the concept of externalities, and it is this concept which poses the most intractable problems for orthodox economic theory.⁵ As mentioned above, externalities occur when the production or consumption of goods imposes costs (or provides benefits) to persons other than those doing the producing or consuming. A favorite example is pollution, when the factory chimney or the private car pollutes the atmosphere of local residents. If a voluntary solution is not practical, then there is a case for some form of government intervention in order to (attempt to) maximize total social welfare. The point is that the number of such effects on other parties is

⁵Of course, there is a major problem in building a bridge between these rubrics for "ideal" government policies and what governments actually do. Normative statements will only translate themselves into positive ones if governments act and only act on the insights of normative economics. I do not deal with this problem, but have been helped here and elsewhere in this section by Petter Nore's useful parallel paper, "The State in Orthodox Economics" (an unpublished manuscript), where a more detailed critique of these theories is presented.

literally infinite, ranging from the long-term ecological results of economic activity to the external benefits and disbenefits to children resulting from the attributes of their parents. It is evident that numerous social and other policies can hence be justified in terms of welfare economics.

This has resulted in a clear split between two groups who may be labelled "liberals" and "Paretians." The "liberals" lay stress on individual freedom and minimal state intervention and attempt to define strictly limited conditions which permit government interference with the private market. The "Paretians" accept that welfare analysis cannot *a priori* rule out state intervention in numerous fields today. As O'Connor puts it (17, p. 373): "It is often possible to 'justify' any particular government interference after the fact—justify it in terms of orthodox criteria." The result has been a widening gulf between the political and economic elements that have contributed to modern welfare economics.

One effect of this has been a new development: a *positive* economic theory of the democratic process and of the resulting role and function of governments. These are the "economic theories of democracy" associated with Downs, Olson, Buchanan, Tullock, and others.⁶ It is not our intention to discuss this burgeoning area in detail here. Suffice it to note that all have in common an axiomatic approach: they postulate the existence of individual actors attempting to maximize their satisfactions in situations where not all their ends can be met. In this way neoclassical economics forms the core of a wider "science of choice," and this can be applied to an analysis of voting behavior, and of politicians' behavior. On this basis predictions can be made about likely government policies, for example, the degree of income redistribution they will attempt, which can be tested against the evidence.

All such theories utilize an individualist methodology which is profoundly unsociological. They posit an atomized society consisting solely of individuals: there is no conception of class or class interest. Second, they see state expenditures and other policies as ultimately determined solely by voters' preferences registered in the ballot box and the preferences of politicians. In a word, the "state" is identical to the "legislature." Lastly, the theory of choice is premised on an absence of conflict and coercion. "The notion of agreement, or of consensus, is at the heart of modern normative economics" (19, p. 5) and the phenomena of coercion and conflict cannot be coped with in this framework. Neither, we might add, can the phenomena of ideology and hegemony, since each individual is assumed to be autonomous, with his tastes and preference patterns ordained at birth, or at least unaffected by the society in which he lives. We share the criticism put forward by Peacock and Wiseman (20, p. 14):

No government is concerned, as these theories imply, solely with interpreting the choices of individual members of the community. All governments depend for their existence upon their power to coerce as well as upon the consent of the governed.

Recent attempts within this school to incorporate a more realistic approach to the state have led to insoluble contradictions with the underlying individualist method-

⁶Downs' theory is analyzed at length by Barry (18). The implications for government policies on redistribution are succinctly if uncritically summarized by Culyer (19).

ology. (See the revealing introduction by Culyer to a recent collection of work papers (21).)

When we turn from micro- to macro-economic theory, we move from an ideology justifying capitalism to a set of techniques useful in maintaining and manipulating capitalism. Keynesian economics in the 1930s did not bring about such a fundamental theoretical revolution as did the rise of neoclassical theory in the 1870s, in that it did not provide an alternative theory of value. Nonetheless, of course, its real economic and political effect has been profound. Since the war most governments in advanced capitalist countries have adopted a macro-economic strategy, designed to pursue certain goals of policy. The list of goals usually includes full employment, price stability, a reasonable rate of economic growth, and balance of payments equilibrium. However, this by itself fails to provide an adequate account of the rise of the welfare state. First, the modern stabilization functions of government do not require a continual *increase* in state expenditure over time, merely its cyclical adjustment up and down. Second, a demand-stimulating policy can work as well via armaments or highways as via welfare expenditure, so that the secular growth of the latter remains unexplained.

Macro-economists tackling this problem normally either have assumed that government spending is "exogenous"—it is determined "outside the system"—or have undertaken econometric analysis to discover what has actually happened. The only attempt that goes beyond this which might be included under this category is that by Peacock and Wiseman (20). They explain the growth of government expenditure in the U.K. as a result of specific "social disturbances," such as the two World Wars, which "displace" upwards the level of government expenditure. First, these disturbances upset and uprate what the population will accept as a "normal" level of taxation, and second, they impose new obligations on governments, both by bringing about a different "political climate" and by leading to the discovery of new social needs or the rediscovery of old ones.

This theory has the advantages of being firmly anchored in history, and of having a great deal of empirical support. Titmuss (22) and others have demonstrated the effect which the Second World War had in Britain on the perception of social needs, for example, the way in which the evacuation of British cities opened up middle-class eyes to urban conditions, and on policy responses to these perceived needs. However, it is unsatisfactory as a general theory of state welfare intervention for several reasons, of which two may be mentioned here.

First, there is a problem of what constitutes a "social disturbance" (a problem returned to below) and of why similar "disturbances" have resulted in quite different policy responses. Why, for example, did the interwar slump lead to the New Deal in the United States, but to cutbacks and retrenchment in the U.K.? Second, their "displacement theory" cannot explain the continuing and rapid growth of social (and other) expenditure during the "long boom" following the Second World War. This was in many advanced capitalist countries a period of social peace and political stability which, according to their theory, should have seen a levelling off of public expenditure at the postwar plateau, not a continuing climb. For these reasons, while recognizing the novel insights of their approach, we must reject it as a general theory of state welfare expenditure, even for the U.K.

PLURALIST THEORIES OF POLICY MAKING

Pluralist theories of the democratic process represent the distinctive contribution of political science to studies of contemporary social policy. The basic premise of this approach is that power is widely diffused in "Western democracies." Consequently, conflict between different groups, which is an equally important characteristic of these countries, is effectively managed without any group exerting a dominant influence in the political system. In an obvious link with liberal theory, the state is seen as a neutral arena within which interest groups can compete on an equal footing. Pluralist theories differ from the economic theories of democracy considered above by recognizing that individuals form coalitions or interest groups representing their common concerns, and that these groups attempt to influence government policy in a variety of ways.

A necessary condition for a pluralist democracy is, of course, that no one interest group becomes dominant, even by default. One attempt to justify this was made some years ago by J. K. Galbraith with his concept of "countervailing power" (23, p. 127):

The tendency of power to be organised in response to a given position of power is the vital characteristic of the phenomenon I am here identifying. As noted, power on one side of a market creates both the need for, and the prospect of reward to, the exercise of countervailing power from the other side. This means that, as a common rule, we can rely on countervailing power to appear as a curb on economic power.

It is readily apparent that this provides a formidable buttress for pluralist theories of the governmental process.

The pluralist model has often been applied to explain the origins and development of specific social policies. The founding of the British National Health Service, and the particular features it exhibits, have been accounted for in terms of conflict between interested pressure groups, such as the British Medical Association, local authorities, the insurance lobby, voluntary hospitals, and the civil service (see Eckstein, 24). A recent series of studies has applied this method to a range of social policy innovations, developments, and reforms (25). However, none of these applications of pluralist political science have, to my knowledge, moved beyond the case-study approach, and it is difficult to see how they could.⁷ Each individual act of policy is theorized as a unique event determined by the particular constellation of interest groups concerned. Hence this cannot provide a *general* theory to explain the growth or structure of the welfare state in a particular country.

Second, though conflict is an intrinsic attribute of the pluralist model, it is not a structured conflict between groups with particular interests related to the overall socioeconomic structure, i.e. social classes. In their place we have a series of shifting coalitions. Thus, as Wedderburn (26) observes:

Professor Titmuss has produced a revealing model of the way in which the conflict of different interest groups can shape and mould the final form of legislation which emerges. What is missing, however, is any notion of class conflict as crucial in creating the overall balance of political forces which determines whether or not social legislation is enacted, or as an influence upon the final form of that legislation.

⁷An exception is perhaps provided by the literature on industrial relations, where unions and employers are seen as two permanently opposed "pressure groups" with the state acting as umpire and mediator.

Or, in other words, pluralism looks at “the skirmishes between pressure groups, rather than the battles between social classes” (27, p. 245).

Third, and most crucial, pluralist theory pays no attention to the generation of opinions and values within society. In this it has a lot in common with welfare economic theory, as is revealingly admitted by Dahl: “liberal democratic theory has often *started* with the assumption that the preferences of individuals, whether voters or consumers, should be taken as given, autonomous to the individual, rather than socially determined” (quoted in 25, p. 144). But it is perfectly possible for an overtly pluralist political process to coexist in a society where one group above others exercises decisive power, if the values of that group are internalized by the members of that society. This is, of course, the phenomenon of ideological hegemony first advanced by Gramsci, and argued in relation to modern state policy by Miliband (28), who provides a general critique of pluralism. *Apropos* of social policies, George and Wilding (27, p. 244) convincingly argue that

the values of dominant social groups have been a major influence in the development of social policy. What we loosely and uncritically call “social values” are, in fact, upper and middle class values legitimated by the institutional order and internalised by the whole population.

In consequence, the pluralism of the political process is a surface appearance, masking a deeper agreement on values which “legitimate, support and perpetuate the existing social and economic system.” We must conclude, therefore, that not only do pluralist theories of policy making not provide a general theory of the development or structure of the welfare state, but that even if one were developed it would suffer from a fatal neglect of crucial aspects of the structure of capitalist society.

CONCLUSION

For the purposes of summarizing the arguments above, we can group the theories into two types: functionalist and action theories.

Functionalist theories of the welfare state *objectify* all processes within society and see policy developments as a passive response to these social or nonsocial “forces.” There is no room here for humans as active, initiating groups helping to shape their own history.⁸ Functionalism does have the advantage that it focuses on the objective social determinants of human history—on laws of development which operate independent of peoples’ consciousness and intentions. It also conceives of history as a *process* and at the same time as *progress*, whether toward greater rationality, goodness, or control over the inanimate world. In this, of course, it bears a resemblance to historical materialism and Marxist historiography (and to that of non-Marxists such as E. H. Carr).

“History has a *direction*,” writes Hobsbawm (31, p. 279), “it is the growing emancipation of man from nature and his growing capacity to control it, which makes history as a whole (though not every area and period within it) ‘oriented and irreversible.’” But, for Marx, the development of the forces of production under capitalism (which

⁸It should be apparent that in this article no pretense is made at a systematic critique of functionalist sociology, for which the reader should consult Gouldner (29) and Rex (30).

he stressed and indeed praised) was precisely one side only of a contradiction with the social *relations* of production under capitalism (which he just as consistently condemned). To concentrate only on the first moment, as functionalism does especially in the hands of “technological determinists,” is to ignore the fact that history is also a succession of qualitatively distinct modes of production, and hence ignores the role of classes, class conflict, and revolutionary rupture in human history. Applied to the explanation of the welfare state, functionalist theory recognizes its role in producing the type of individual required by “modern industrial society,” but it cannot perceive this type as specific to *capitalist* society, and hence ignores the welfare state’s role as a controlling, repressive agency.

We have already noted the common ancestor of welfare economics and pluralism: that of liberal political theory. This is one reason for treating them together here, but there are two related reasons. First, they both utilize an individualist methodology, which, unlike functionalism, views individuals as the basic units of society, and which studies their behavior in certain situations. It is true that pluralist political theory conducts its analysis in terms of *groups* of individuals, but the work of Olson and others (see 18, Ch. 2) has attempted to forge a link here by deriving the conditions under which individuals with common interests will form pressure groups to bargain for those interests in the democratic political arena.

The second reason for treating welfare economics and pluralism together is that both schools are “action-oriented” and embrace the general principles of action-theory. That is, analysis is in terms of human *subjects*—their *interpretation* of reality in light of their values, and their responses to it. Thus, explanations of social policy focus on the subjective interpretation of what constitutes a social problem, rather than on the objective determination of the problem as with functionalist theory. It has the merit of stressing the subjective content of human action, the creative role of mankind in history. It can also accommodate conflict as a determinant of policy, albeit in a limited form divorced from the structural position of classes in society. In these respects it has something in common with Marxism, but without any conception of structural determination. There is no recognition of a material reality outside the heads of the “actors” which shapes their values and behavior, except in the emasculated form of a generalized “scarcity.”

Thus, the one school of social science objectifies history, the other subjectifies it. Returning to our original goal—a theory of the development of social policies and of the phenomenon of the welfare state—functionalism can explain the first of our observations: the historic growth of social expenditure, and the trend for social policies in advanced capitalist countries gradually to converge. But it cannot satisfactorily explain the immense diversity of social policies which any comparative survey will reveal. *Per contra*, theories of the second school (economic and pluralist theories) can explain this diversity but offer no reason as to why the growth of welfare expenditure and convergence of welfare policies has taken place. By ignoring respectively the subjective and objective element, both are inadequate to explain this or any other aspect of history, in which both are related. I believe that the only satisfactory resolution to this dilemma is that indicated by Marx and encapsulated in his dictum: “Men make their own history . . . but not under circumstances chosen by themselves.”

Of course, this does no more than suggest a fruitful approach to the problem. It is up to Marxist research to justify this claim, and in a forthcoming book I will attempt to do so. However, the more limited purpose of this article is to argue that existing theories of the welfare state are inadequate, and that this is so because they ignore either one or the other moment of Marx's famous duality.

Acknowledgment—I am grateful to Norman Ginsburg for constructive comments on an earlier draft.

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Manuscript submitted for publication, May 31, 1977

Direct reprint requests to:

Mr. Ian Gough
Department of Social Administration
University of Manchester.
Manchester M13 9PL, England