

# Rise and Decline of the Welfare State in America

## Class Struggle and Imperial Wars as the Motor Force of US History

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*The American welfare state was created in 1935 and continued to develop through 1973. Since then, over a prolonged period, the capitalist class has been steadily dismantling the entire welfare state.*

*Between the mid 1970's to the present (2017) labor laws, welfare rights and benefits and the construction of and subsidies for affordable housing have been gutted. 'Workfare' (under President 'Bill' Clinton) ended welfare for the poor and displaced workers. Meanwhile the shift to regressive taxation and the steadily declining real wages have increased corporate profits to an astronomical degree.*

*What started as incremental reversals during the 1990's under Clinton has snowballed over the last two decades decimating welfare legislation and institutions.*

*The earlier welfare 'reforms' and the current anti-welfare legislation and austerity practices have been accompanied by a series of endless imperial wars, especially in the Middle East.*

*In the 1940's through the 1960's, world and regional wars (Korea and Indo-China) were combined with significant welfare program - a form of 'social imperialism', which 'buy off' the working class while expanding the empire. However, recent decades are characterized by multiple regional wars and the reduction or elimination of welfare programs - and a massive growth in poverty, domestic insecurity and poor health.*

### New Deals and Big Wars

The 1930's witnessed the advent of social legislation and action, which laid the foundations of what is called the 'modern welfare state'.



Labor unions were organized as working class strikes and progressive legislation facilitated trade union organization, elections, collective bargaining rights and a steady increase in union membership. Improved work conditions, rising wages, pension plans and benefits, employer or union-provided health care and protective legislation improved the standard of living for the working class and provided for 2 generations of upward mobility.

Social Security legislation was approved along with workers' compensation and the forty-hour workweek. Jobs were created through federal programs (WPA, CCC, etc.). Protectionist legislation facilitated the growth of domestic markets for US manufacturers. Workplace shop steward councils organized 'on the spot' job action to protect safe working conditions.

World War II led to full employment and increases in union membership, as well as legislation restricting workers' collective bargaining rights and enforcing wage freezes. Hundreds of thousands of Americans found jobs in the war economy but a huge number were also killed or wounded in the war.

The post-war period witnessed a contradictory process: wages and salaries increased while legislation curtailed union rights via the Taft Hartley Act and the McCarthyist purge of leftwing trade union activists. So-called '*right to work*' laws effectively outlawed unionization mostly in southern states, which drove industries to relocate to the anti-union states.

Welfare reforms, in the form of the GI bill, provided educational opportunities for working class and rural veterans, while federal-subsidized low interest mortgages encourage home-ownership, especially for veterans.

The New Deal created concrete improvements but did not consolidate labor influence at any level. Capitalists and management still retained control over capital, the workplace and plant location of production.

Trade union officials signed pacts with capital: higher pay for the workers and greater control of the workplace for the bosses. Trade union officials joined management in repressing rank and file movements seeking to control technological changes by reducing hours ("*thirty hours work for forty hours pay*"). Dissident local unions were seized and gutted by the trade union bosses – sometimes through violence.

Trade union activists, community organizers for rent control and other grassroots movements lost both the capacity and the will to advance toward large-scale structural changes of US capitalism. Living standards improved for a few decades but the capitalist class consolidated strategic control over labor relations. While unionized workers' incomes, increased, inequalities, especially in the non-union sectors began to grow. With the end of the GI bill, veterans' access to high-quality subsidized education declined.

While a new wave of social welfare legislation and programs began in the 1960's and early 1970's it was no longer a result of a mass trade union or workers' "class struggle". Moreover, trade union collaboration with the capitalist regional war policies led to the killing and maiming of hundreds of thousands of workers in two wars – the Korean and Vietnamese wars.

Much of social legislation resulted from the civil and welfare rights movements. While specific programs were helpful, none of them addressed structural racism and poverty.

### The Last Wave of Social Welfarism

The 1960's witnessed the greatest racial war in modern US history: Mass movements in the South and North rocked state and federal governments, while advancing the cause of civil,

social and political rights. Millions of black citizens, joined by white activists and, in many cases, led by African American Viet Nam War veterans, confronted the state. At the same time, millions of students and young workers, threatened by military conscription, challenged the military and social order.

Energized by mass movements, a new wave of social welfare legislation was launched by the federal government to pacify mass opposition among blacks, students, community organizers and middle class Americans. Despite this mass popular movement, the union bosses at the AFL-CIO openly supported the war, police repression and the military, or at best, were passive impotent spectators of the drama unfolding in the nation's streets. Dissident union members and activists were the exception, as many had multiple identities to represent: African American, Hispanic, draft resisters, etc.

Under Presidents Lyndon Johnson and Richard Nixon, Medicare, Medicaid, OSHA, the EPA and multiple poverty programs were implemented. A national health program, expanding Medicare for all Americans, was introduced by President Nixon and sabotaged by the Kennedy Democrats and the AFL-CIO. Overall, social and economic inequalities diminished during this period.

The Vietnam War ended in defeat for the American militarist empire. This coincided with the beginning of the end of social welfare as we knew it - as the bill for militarism placed even greater demands on the public treasury.

With the election of President Carter, social welfare in the US began its long decline. The next series of regional wars were accompanied by even greater attacks on welfare via the "*Volker Plan*" - freezing workers' wages as a means to combat inflation.

'Guns without butter' became the legislative policy of the Carter and Reagan Administrations. The welfare programs were based on politically fragile foundations.

### The Debacle of Welfarism

Private sector trade union membership declined from a post-world war peak of 30% falling to 12% in the 1990's. Today it has sunk to 7%. Capitalists embarked on a massive program of closing thousands of factories in the unionized North which were then relocated to the non-unionized low wage southern states and then overseas to Mexico and Asia. Millions of stable jobs disappeared.

Following the election of 'Jimmy Carter', neither Democratic nor Republican Presidents felt any need to support labor organizations. On the contrary, they facilitated contracts dictated by management, which reduced wages, job security, benefits and social welfare.

The anti-labor offensive from the '*Oval Office*' intensified under President Reagan with his direct intervention firing tens of thousands of striking air controllers and arresting union leaders. Under Presidents Carter, Reagan, George H.W. Bush and William Clinton cost of living adjustments failed to keep up with prices of vital goods and services. Health care inflation was astronomical. Financial deregulation led to the subordination of American industry to finance and the Wall Street banks. De-industrialization, capital flight and massive tax evasion reduced labor's share of national income.

The capitalist class followed a trajectory of decline, recovery and ascendance. Moreover,

during the earlier world depression, at the height of labor mobilization and organization, the capitalist class never faced any significant political threat over its control of the commanding heights of the economy.

The '*New Deal*' was, at best, a de facto '*historical compromise*' between the capitalist class and the labor unions, mediated by the Democratic Party elite. It was a temporary pact in which the unions secured legal recognition while the capitalists retained their executive prerogatives.

The Second World War secured the economic recovery for capital and subordinated labor through a federally mandated no strike production agreement. There were a few notable exceptions: The coal miners' union organized strikes in strategic sectors and some leftist leaders and organizers encouraged slow-downs, work to rule and other in-plant actions when employers ran roughshod with special brutality over the workers. The recovery of capital was the prelude to a post-war offensive against independent labor-based political organizations. The quality of labor organization declined even as the quantity of trade union membership increased.

Labor union officials consolidated internal control in collaboration with the capitalist elite. Capitalist class-labor official collaboration was extended overseas with strategic consequences.

The post-war corporate alliance between the state and capital led to a global offensive – the replacement of European-Japanese colonial control and exploitation by US business and bankers. Imperialism was later 're-branded' as '*globalization*'. It pried open markets, secured cheap docile labor and pillaged resources for US manufacturers and importers.

US labor unions played a major role by sabotaging militant unions abroad in cooperation with the US security apparatus: They worked to coopt and bribe nationalist and leftist labor leaders and supported police-state regime repression and assassination of recalcitrant militants.

'*Hand in bloody glove*' with the US Empire, the American trade unions planted the seeds of their own destruction at home. The local capitalists in newly emerging independent nations established industries and supply chains in cooperation with US manufacturers. Attracted to these sources of low-wage, violently repressed workers, US capitalists subsequently relocated their factories overseas and turned their backs on labor at home.

Labor union officials had laid the groundwork for the demise of stable jobs and social benefits for American workers. Their collaboration increased the rate of capitalist profit and overall power in the political system. Their complicity in the brutal purges of militants, activists and leftist union members and leaders at home and abroad put an end to labor's capacity to sustain and expand the welfare state.

Trade unions in the US did not use their collaboration with empire in its bloody regional wars to win social benefits for the rank and file workers. The time of social-imperialism, where workers within the empire benefited from imperialism's pillage, was over. Gains in social welfare henceforth could result only from mass struggles led by the urban poor, especially Afro-Americans, community-based working poor and militant youth organizers.

The last significant social welfare reforms were implemented in the early 1970's –

coinciding with the end of the Vietnam War (and victory for the Vietnamese people) and ended with the absorption of the urban and anti-war movements into the Democratic Party.

Henceforward the US corporate state advanced through the overseas expansion of the multi-national corporations and via large-scale, non-unionized production at home.

The technological changes of this period did not benefit labor. The belief, common in the 1950's, that science and technology would increase leisure, decrease work and improve living standards for the working class, was shattered. Instead technological changes displaced well-paid industrial labor while increasing the number of mind-numbing, poorly paid, and politically impotent jobs in the so-called 'service sector' – a rapidly growing section of unorganized and vulnerable workers – especially including women and minorities.

Labor union membership declined precipitously. The demise of the USSR and China's turn to capitalism had a dual effect: It eliminated collectivist (socialist) pressure for social welfare and opened their labor markets with cheap, disciplined workers for foreign manufacturers. Labor as a political force disappeared on every count. The US Federal Reserve and President 'Bill' Clinton deregulated financial capital leading to a frenzy of speculation. Congress wrote laws, which permitted overseas tax evasion – especially in Caribbean tax havens. Regional free-trade agreements, like NAFTA, spurred the relocation of jobs abroad. De-industrialization accompanied the decline of wages, living standards and social benefits for millions of American workers.

The New Abolitionists: Trillionaires

The New Deal, the Great Society, trade unions, and the anti-war and urban movements were in retreat and primed for abolition.

Wars without welfare (or guns without butter) replaced earlier 'social imperialism' with a huge growth of poverty and homelessness. Domestic labor was now exploited to finance overseas wars not vice versa. The fruits of imperial plunder were not shared.

As the working and middle classes drifted downward, they were used up, abandoned and deceived on all sides – especially by the Democratic Party. They elected militarists and demagogues as their new presidents.

President 'Bill' Clinton ravaged Russia, Yugoslavia, Iraq and Somalia and liberated Wall Street. His regime gave birth to the prototype billionaire swindlers: Michael Milken and Bernard 'Bernie' Madoff.

Clinton converted welfare into cheap labor 'workfare', exploiting the poorest and most vulnerable and condemning the next generations to grinding poverty. Under Clinton the prison population of mostly African Americans expanded and the breakup of families ravaged the urban communities.

Provoked by an act of terrorism (9/11) President G.W. Bush Jr. launched the 'endless' wars in Afghanistan and Iraq and deepened the police state (Patriot Act). Wages for American workers and profits for American capitalist moved in opposite directions.

The Great Financial Crash of 2008-2011 shook the paper economy to its roots and led to the greatest shakedown of any national treasury in history directed by the First Black American President. Trillions of public wealth were funneled into the criminal banks on Wall Street –

which were '*just too big to fail.*' Millions of American workers and homeowners, however, were '*just too small to matter.*'

## **The Age of Demagogues**

President Obama transferred 2 trillion dollars to the ten biggest bankers and swindlers on Wall Street, and another trillion to the Pentagon to pursue the Democrats version of foreign policy: from Bush's two overseas wars to Obama's seven.

Obama's electoral 'donor-owners' stashed away two trillion dollars in overseas tax havens and looked forward to global free trade pacts – pushed by the eloquent African American President.

Obama was elected to two terms. His liberal Democratic Party supporters swooned over his peace and justice rhetoric while swallowing his militarist escalation into seven overseas wars as well as the foreclosure of two million American householders. Obama completely failed to honor his campaign promise to reduce wage inequality between black and white wage earners while he continued to moralize to black families about '*values.*'

Obama's war against Libya led to the killing and displacement of millions of black Libyans and workers from Sub-Saharan Africa. The smiling Nobel Peace Prize President created more desperate refugees than any previous US head of state – including millions of Africans flooding Europe.

'*Obamacare.*' his imitation of an earlier Republican governor's health plan, was formulated by the private corporate health industry (private insurance, Big Pharma and the for-profit hospitals), to mandate enrollment and ensure triple digit profits with double digit increases in premiums. By the 2016 Presidential elections, '*Obama-care.*' was opposed by a 45%-43% margin of the American people. Obama's propagandists could not show any improvement of life expectancy or decrease in infant and maternal mortality as a result of his 'health care reform'. Indeed the opposite occurred among the marginalized working class in the old 'rust belt' and in the rural areas. This failure to show any significant health improvement for the masses of Americans is in stark contrast to LBJ's Medicare program of the 1960's, which continues to receive massive popular support.

Forty-years of anti welfare legislation and pro-business regimes paved the golden road for the election of Donald Trump

Trump and the Republicans are focusing on the tattered remnants of the social welfare system: Medicare, Medicaid, Social Security. The remains of FDR's New Deal and LBJ's Great Society— are on the chopping block.

The moribund (but well-paid) labor leadership has been notable by its absence in the ensuing collapse of the social welfare state. The liberal left Democrats embraced the platitudinous Obama/Clinton team as the 'Great Society's' gravediggers, while wailing at Trump's allies for shoving the corpse of welfare state into its grave.

## **Conclusion**

Over the past forty years the working class and the rump of what was once referred to as the '*labor movement.*' has contributed to the dismantling of the social welfare state, voting for '*strike-breaker.*' Reagan, '*workfare.*' Clinton, '*Wall Street crash.*' Bush, '*Wall Street savior.*'



Obama and 'Trickle-down' Trump.

Gone are the days when social welfare and profitable wars raised US living standards and transformed American trade unions into an appendage of the Democratic Party and a handmaiden of Empire. The Democratic Party rescued capitalism from its collapse in the Great Depression, incorporated labor into the war economy and the post- colonial global empire, and resurrected Wall Street from the 'Great Financial Meltdown' of the 21<sup>st</sup> century.

The war economy no longer fuels social welfare. The military-industrial complex has found new partners on Wall Street and among the globalized multi-national corporations. Profits rise while wages fall. Low paying compulsive labor (workfare) lopped off state transfers to the poor. Technology - IT, robotics, artificial intelligence and electronic gadgets - has created the most class polarized social system in history. The first trillionaire and multi-billionaire tax evaders rose on the backs of a miserable standing army of tens of millions of low-wage workers, stripped of rights and representation. State subsidies eliminate virtually all risk to capital. The end of social welfare coerced labor (including young mother with children) to seek insecure low-income employment while slashing education and health - cementing the feet of generations into poverty. Regional wars abroad have depleted the Treasury and robbed the country of productive investment. Economic imperialism exports profits, reversing the historic relation of the past.

Labor is left without compass or direction; it flails in all directions and falls deeper in the web of deception and demagoguery. To escape from Reagan and the strike breakers, labor embraced the cheap-labor predator Clinton; black and white workers united to elect Obama who expelled millions of immigrant workers, pursued 7 wars, abandoned black workers and enriched the already filthy rich. Deception and demagoguery of the labor-liberals bred the ugly and unlikely plutocrat-populist demagogue: labor voted for Trump.

The demise of welfare and the rise of the opioid epidemic killing close to one million (mostly working class) Americans occurred mostly under Democratic regimes. The collaboration of liberals and unions in promoting endless wars opened the door to Trump's mirage of a stateless, tax-less, ruling class.

Who will the Democrats choose as their next demagogue champion to challenge the 'Donald' - one who will speak to the 'deplorables' and work for the trillionaires?

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