

The Western Welfare State: Its Rise and Demise and the Soviet Bloc

By [Prof. James Petras](#)

Global Research, July 04, 2012

4 July 2012

Region: [Europe](#), [USA](#)

Theme: [History](#), [Poverty & Social Inequality](#)

Introduction

One of the most striking socio-economic features of the past two decades is the reversal of the previous half-century of welfare legislation in Europe and North America . Unprecedented cuts in social services, severance pay, public employment, pensions, health programs, educational stipends, vacation time, and job security are matched by increases in tuition, regressive taxation, and the age of retirement as well as increased inequalities, job insecurity and workplace speed-up.

The demise of the 'welfare state' demolishes the idea put forth by orthodox economists, who argued that the 'maturation' of capitalism, its 'advanced state', high technology and sophisticated services, would be accompanied by greater welfare and higher income/standard of living. While it is true that 'services and technology' have multiplied, the economic sector has become even more polarized, between low paid retail clerks and super rich stock brokers and financiers. The computerization of the economy has led to electronic bookkeeping, cost controls and the rapid movements of speculative funds in search of maximum profit while at the same time ushering in brutal budgetary reductions for social programs.

The 'Great Reversal' appears to be a long-term, large-scale process centered in the dominant capitalist countries of Western Europe and North America and in the former Communist states of Eastern Europe . It behooves us to examine the systemic causes that transcend the particular idiosyncrasies of each nation.

The Origins of the Great Reversal

There are two lines of inquiry which need to be elucidated in order to come to terms with the demise of the welfare state and the massive decline of living standards. One line of analysis examines the profound change in the international environment: We have moved from a competitive bi-polar system, based on a rivalry between the collectivist - welfare states of the Eastern bloc and the capitalist states of Europe and North America to an international system monopolized by competing capitalist states.

A second line of inquiry directs us to examine the changes in the internal social relations of the capitalist states: namely the shift from intense class struggles to long-term class collaboration, as the organizing principle in the relation between labor and capital.

The main proposition informing this essay is that the emergence of the welfare state was a historical outcome of a period when there were high levels of competition between

collectivist welfarism and capitalism and when class-struggle oriented trade unions and social movements had ascendancy over class-collaborationist organizations.

Clearly the two processes are inter-related: As the collectivist states implemented greater welfare provisions for their citizens, trade unions and social movements in the West had social incentives and positive examples to motivate their members and challenge capitalists to match the welfare legislation in the collectivist bloc.

The Origins and Development of the Western Welfare State

Immediately following the defeat of fascist-capitalist regimes with the defeat of Nazi Germany, the Soviet Union and its political allies in Eastern Europe embarked on a massive program of reconstruction, recovery, economic growth and the consolidation of power, based on far-reaching socio-economic welfare reforms. The great fear among Western capitalist regimes was that the working class in the West would “follow” the Soviet example or, at a minimum, support parties and actions which would undermine capitalist recovery. Given the political discredit of many Western capitalists because of their collaboration with the Nazis or their belated, weak opposition to the fascist version of capitalism, they could not resort to the highly repressive methods of the past. Instead, the Western capitalist classes applied a two-fold strategy to counter the Soviet collectivist-welfare reforms: Selective repression of the domestic Communist and radical Left and welfare concessions to secure the loyalty of the Social and Christian Democratic trade unions and parties.

With economic recovery and post-war growth, the political, ideological and economic competition intensified: The Soviet bloc introduced wide-ranging reforms, including full employment, guaranteed job security, universal health care, free higher education, one month paid vacation leave, full pay pensions, free summer camps and vacation resorts for worker families and prolonged paid maternity leave. They emphasized the importance of social welfare over individual consumption. The capitalist West was under pressure to approximate the welfare offerings from the East, while expanding individual consumption based on cheap credit and installment payments made possible by their more advanced economies. From the mid 1940's to the mid 1970's the West competed with the Soviet bloc with two goals in mind: To retain workers loyalties in the West while isolating the militant sectors of the trade unions and to entice the workers of the East with promises of comparable welfare programs and greater individual consumption.

Despite the advances in social welfare programs, East and West, there were major worker protests in East Europe : These focused on national independence, authoritarian paternalistic tutelage of trade unions and insufficient access to private consumer goods. In the West, there were major worker-student upheavals in France and Italy demanding an end of capitalist dominance in the workplace and social life. Popular opposition to imperialist wars (Indo-China , Algeria , etc.), the authoritarian features of the capitalist state (racism) and the concentration of wealth was widespread.

In other words, the new struggles in the East and West were premised on the consolidation of the welfare state and the expansion of popular political and social power over the state and productive process.

The continuing competition between collectivist and capitalist welfare systems ensured that there would be no roll-back of the reforms thus far achieved. However, the defeats of the popular rebellions of the sixties and seventies ensured that no further advances in social

welfare would take place. More importantly a social 'deadlock' developed between the ruling classes and the workers in both blocs leading to stagnation of the economies, bureaucratization of the trade unions and demands by the capitalist classes for a dynamic, new leadership, capable of challenging the collectivist bloc and systematically dismantling the welfare state.

The Process of Reversal: From Reagan-Thatcher to Gorbachev

The great illusion, which gripped the masses of the collectivist-welfare bloc, was the notion that the Western promise of mass consumerism could be combined with the advanced welfare programs that they had long taken for granted. The political signals from the West however were moving in the opposite direction. With the ascendancy of President Ronald Reagan in the US and Prime Minister Margaret Thatcher in Great Britain, the capitalists regained full control over the social agenda, dealing mortal blows to what remained of trade union militancy and launching a full scale arms race with the Soviet Union in order to bankrupt its economy. In addition, 'welfarism' in the East was thoroughly undermined by an emerging class of upwardly mobile, educated elites who teamed up with kleptocrats, neo-liberals, budding gangsters and anyone else who professed 'Western values'. They received political and material support from Western foundations, Western intelligence agencies, the Vatican (especially in Poland), European Social Democratic parties and the US AFL-CIO while, on the fringes, an ideological veneer was provided by the self-described 'anti-Stalinist' leftists in the West.

The entire Soviet bloc welfare program had been built from the top-down and, as a result, did not have a class-conscious, politicized, independent and militant class organization to defend it from the full-scale assault launched by the gangster-kleptocratic-clerical-neo-liberal-'anti-Stalinist' bloc. Likewise in the West, the entire social welfare program was tied to European Social Democratic parties, the US Democratic Party and a trade union hierarchy lacking both class consciousness and any interest in class struggle. Their main concern, as union bureaucrats was reduced to collecting members' dues, maintaining internal organizational power over their fiefdoms and their own personal enrichment.

The collapse of the Soviet bloc was precipitated by the Gorbachev regime's unprecedented handover of the allied states of the Warsaw Pact to the NATO powers .The local communist officials were quickly recycled as neo-liberal proxies and pro-western surrogates. They quickly proceeded to launch a full-scale assault on public ownership of property and dismantling the basic protective labor legislation and job security, which had been an inherent part of collectivist management-labor relations.

With a few noteworthy exceptions, the entire formal framework of collectivist-welfarism was crushed. Soon after came mass disillusion among the Eastern bloc workers as their 'anti-Stalinist' western-oriented trade unions presented them with massive lay-offs. The vast majority of the militant Gdansk shipyard workers, affiliated to Poland's 'Solidarity' Movement were fired and reduced to chasing odd jobs, while their wildly feted 'leaders', long-time recipients of material support from Western intelligence agencies and trade unions, moved on to become prosperous politicians, editors and businesspeople.

The Western trade unions and the 'anti-Stalinist' Left (Social Democrats , Trotskyists and every sect and intellectual current in between), did yeoman service in not only ending the collectivist system (under the slogan: 'Anything is better than Stalinism') but of ending the

welfare state for scores of millions of workers, pensioners and their families.

Once the collectivist-welfare state was destroyed, the Western capitalist class no longer needed to compete in matching social welfare concessions. The Great Rollback moved into full gear.

For the next two decades, Western regimes, Liberal, Conservative and Social Democratic, each in their turn, sliced off welfare legislation: Pensions were cut and retirement age was extended as they instituted the doctrine of 'work 'til you drop'. Job security disappeared, work place protections were eliminated, severance pay was cut and the firing of workers was simplified, while capital mobility flourished.

Neo-liberal globalization exploited the vast reservoirs of qualified low-paid labor from the former collectivist countries. The 'anti-Stalinist' workers inherited the worst of all worlds: They lost the social welfare net of the East and failed to secure the individual consumption levels and prosperity of the West. German capital exploited cheaper Polish and Czech labor, while Czech politicians privatized highly sophisticated state industries and social services, increasing the costs and restricting access to what services remained.

In the name of 'competitiveness' Western capital de-industrialized and relocated vast industries successfully with virtual no resistance from the bureaucratized 'anti-Stalinist' trade unions. No longer competing with the collectivists over who has the better welfare system, Western capitalists now competed among themselves over who had the lowest labor costs and social expenditures, the most lax environmental and workplace protection and the easiest and cheapest laws for firing employees and hiring contingent workers.

The entire army of impotent 'anti-Stalinist' leftists, comfortably established in the universities, brayed till they were hoarse against the 'neo-liberal offensive' and the 'need for an anti-capitalist strategy', without the tiniest reflection over how they had contributed to undermining the very welfare state that had educated, fed and employed the workers.

Labor Militancy: North and South

Welfare programs in Western Europe and North America were especially hit by the loss of a competing social system in the East, by the influx and impact of cheap labor from the East and because their own trade unions had become adjuncts of the neo-liberal Socialist, Labor and Democratic Parties.

In contrast, in the South, in particular in Latin America and, to a lesser degree, in Asia, anti-welfare neo-liberalism lasted only for a decade. In Latin America neo-liberalism soon came under intensive pressure, as a new wave of class militancy erupted and regained some of the lost ground. By the end of the first decade of the new century – labor in Latin America was increasing its share of national income, social expenditures were increasing and the welfare state was in the process of re-gaining momentum in direct contrast to what was occurring in Western Europe and North America.

Social revolts and powerful popular movements led to left and center-left regimes and policies in Latin America. A powerful series of national struggles overthrew neo-liberal regimes. A growing wave of worker and peasant protests in China led to 10% to 30% wage increases in the industrial belts and moves to restore the health and public educational system. Facing a new grassroots, worker-based socio-cultural revolt, the Chinese state and

business elite hastily promoted social welfare legislation at a time when Southern European nations like Greece , Spain , Portugal and Italy were in the process of firing workers and slashing salaries, reducing minimum wages, increasing retirement age and cutting social expenditures.

The capitalist regimes of the West no longer faced competition from the rival welfare systems of the Eastern bloc since all have embraced the ethos of 'the less the better': Lower social expenditures meant bigger subsidies for business, greater budgets to launch imperial wars and to establish the massive 'homeland security' police state apparatus. Lower taxes on capital led to greater profits.

Western Left and Liberal intellectuals played a vital role in obfuscating the important positive role which Soviet welfarism had in pressuring the capitalist regimes of the West to follow their lead. Instead, during the decades following the death of Stalin and as Soviet society evolved toward a hybrid system of authoritarian welfarism, these intellectuals continued to refer to these regimes as 'Stalinist', obscuring the principle source of legitimacy among their citizens – their advanced welfare system. The same intellectuals would claim that the 'Stalinist system' was an obstacle to socialism and turned the workers against its positive aspects as a welfare state, by their exclusive focus on the past 'Gulag'. They argued that the 'demise of Stalinism' would provide a great opening for 'democratic revolutionary socialism'. In reality, the fall of collectivist-welfarism led to the catastrophic destruction of the welfare state in both the East and West and the ascendancy of the most virulent forms of primitive neo-liberal capitalism. This, in turn, led to the further shrinking of the trade union movement and spurred the 'right-turn' of the Social-Democratic and Labor Parties via the 'New Labor' and 'Third Way " ideologies.

The 'anti-Stalinist' Left intellectuals have never engaged in any serious reflection regarding their own role in bringing down the collective welfare state nor have they assumed any responsibility for the devastating socio-economic consequences in both the East and West. Furthermore the same intellectuals have had no reservations in this 'post-Soviet era' in supporting ('critically' of course) the British Labor Party, the French Socialist Party, the Clinton-Obama Democratic Party and other 'lesser evils' which practice neo-liberalism. They supported the utter destruction of Yugoslavia and US-led colonial wars in the Middle East, North Africa and South Asia . Not a few 'anti-Stalinist' intellectuals in England and France will have clinked champagne glasses with the generals, bankers and oil elites over NATO's bloody invasion and devastation of Libya – Africa's only welfare state.

The 'anti-Stalinist' left intellectuals, now well-ensconced in privileged university positions in London , Paris , New York and Los Angeles have not been personally affected by the roll-back of the Western welfare programs. They adamantly refuse to recognize the constructive role that the competing Soviet welfare programs played in forcing the West to 'keep up' in a kind of 'social welfare race' by providing benefits for its working class. Instead, they argue (in their academic forums) that greater 'workers militancy' (hardly possible with a bureaucratized and shrinking trade union membership) and bigger and more frequent 'socialist scholars' forums' (where they can present their own radical analyses ... to each other) will eventually restore the welfare system. In fact, historic levels of regression, insofar as welfare legislation is concerned, continue unabated. There is an inverse (and perverse) relation between the academic prominence of the 'anti-Stalinist' Left and the demise of welfare state policies. And still the 'anti-Stalinist' intellectuals wonder about the shift to far-right demagogic populism among the hard-pressed working class!

If we examine and compare the relative influence of the 'anti-Stalinist' intellectuals in the making of the welfare state to the impact of the competing collectivist welfare system of the Eastern bloc, the evidence is overwhelmingly clear: Western welfare systems were far more influenced by their systemic competitors than by the pious critiques of the marginal 'anti-Stalinist' academics. 'Anti-Stalinist' metaphysics have blinded a whole generation of intellectuals to the complex interplay and advantages of a competitive international system where rivals bid up welfare measures to legitimate their own rule and undermine their adversaries. The reality of world power politics led the 'anti-Stalinist' Left to become a pawn in the struggle of Western capitalists to contain welfare costs and establish the launch pad for a neo-liberal counter-revolution. The deep structures of capitalism were the primary beneficiaries of anti-Stalinism.

The demise of the legal order of the collectivist states has led to the most egregious forms of predator-gangster capitalism in the former USSR and Warsaw Pact nations. Contrary to the delusions of the 'anti-Stalinist' Left, no 'post-Stalinist' socialist democracy has emerged anywhere. The key operatives in overthrowing the collectivist-welfare state and benefiting from the power vacuum have been the billionaire oligarchs, who pillaged Russia and the East, the multi-billion dollar drug and white slave cartel kingpins, who turned hundreds of thousands of jobless factory workers and their children in the Ukraine, Moldova, Poland, Hungary, Kosova, Romania and elsewhere into alcoholics, prostitutes and drug addicts.

Demographically, the biggest losers from the overthrow of the collectivist-welfare system have been woman workers: They lost their jobs, their maternity leave, child care and legal protections. They suffered from an epidemic of domestic violence under the fists of their unemployed and drunken spouses. The rates of maternal and infant deaths soared from a faltering public health system. The working class women of the East suffered an unprecedented loss of material status and legal rights. This has led to the greatest demographic decline in post-war history – plummeting birth rates, soaring death rates and generalized hopelessness. In the West, the feminist 'anti-Stalinists' have ignored their own complicity in the enslavement and degradation of their 'sisters' in the East. (They were too busy feting the likes of Vaclav Havel).

Of course, the 'anti-Stalinist' intellectuals will claim that the outcomes that they had envisioned are a far cry from what evolved and they will refuse to assume any responsibility for the real consequences of their actions, complicity and the illusions they created. Their outrageous claim 'that anything is better than Stalinism' rings hollow in the great chasm containing a lost generation of Eastern bloc workers and families. They need to start counting up the multi-million strong army of unemployed throughout the East, the millions of TB and HIV-ravaged victims in Russia and Eastern Europe (where neither TB nor HIV posed a threat before the 'break-up'), the mangled lives of millions of young women trapped in the brothels of Tel Aviv, Pristina, Bucharest, Hamburg, Barcelona, Amman, Tangiers, and Brooklyn

Conclusion

The single biggest blow to the welfare programs as we knew them, which were developed during the four decades from 1940's to the 1980's, was the end of the rivalry between the Soviet bloc and Western Europe and North America . Despite the authoritarian nature of the Eastern bloc and the imperial character of the West, both sought legitimacy and political advantage by securing the loyalty of the mass of workers via tangible social-economic concessions.

Today, in the face of the neo-liberal 'roll back', the major labor struggles revolve around defending the remnants of the welfare state, the skeletal remains of an earlier period. At present there are very few prospects of any return to competing international welfare systems, unless one were to look at a few progressive countries, like Venezuela, which have instituted a series of health, educational and labor reforms financed by their nationalized petroleum sector.

One of the paradoxes of the history of welfarism in Eastern Europe can be found in the fact that the major ongoing labor struggles (in the Czech Republic, Poland, Hungary and other countries, which had overthrown their collectivist regimes, involve a defense of the pension, retirement, public health, employment, educational and other welfare policies – the 'Stalinist' leftovers. In other words, while Western intellectuals still boast of their triumphs over Stalinism, the real existing workers in the East are engaged in day-to-day militant struggles to retain and regain the positive welfare features of those maligned states. Nowhere is this more evident than in China and Russia, where privatizations have meant a loss of employment and, in the case of China, the brutal loss of public health benefits. Today workers' families with serious illnesses are ruined by the costs of privatized medical care.

In the current world 'anti-Stalinism' is a metaphor for a failed generation on the margins of mass politics. They have been overtaken by a virulent neo-liberalism, which borrowed their pejorative language (Blair and Bush also were 'anti-Stalinists') in the course of demolishing the welfare state. Today the mass impetus for the reconstruction of a welfare state is found in those countries, which have lost or are in the process of losing their entire social safety net – like Greece, Portugal, Spain and Italy- and in those Latin American countries, where popular upheavals, based on class struggles linked to national liberation movements, are on the rise.

The new mass struggles for welfarism make few direct references to the earlier collectivist experiences and even less to the empty discourse of the 'anti-Stalinist' Left. The latter are stuck in a stale and irrelevant time warp. What is abundantly clear, however, is that the welfare, labor and social programs, which were gained and lost, in the aftermath of the demise of the Soviet bloc, have returned as strategic objectives motivating present and future workers struggles.

What needs to be further explored is the relation between the rise of the vast police state apparatuses in the West and the decline and dismantling of their respective welfare states: The growth of 'Homeland Security' and the 'War on Terror' parallels the decline of Social Security, public health programs and the great drop in living standards for hundreds of millions.

The original source of this article is Global Research
Copyright © [Prof. James Petras](#), Global Research, 2012

[Comment on Global Research Articles on our Facebook page](#)

[Become a Member of Global Research](#)

Articles by: [Prof. James Petras](#)

Disclaimer: The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: publications@globalresearch.ca

www.globalresearch.ca contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: publications@globalresearch.ca