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COMMENTS

DID CAPITALISTS SHAPE SOCIAL SECURITY?*

(Comment on Quadagno, *ASR*, October 1984)

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Jill Quadagno's "Welfare Capitalism and the Social Security Act of 1935" brings welcome historical specificity to explanatory debates about the development of public policies in capitalist democracies. Yet Quadagno also has a theoretical purpose. She argues (1984:645-46) that political structures "must be considered in terms of their underlying economic dimensions" and that the capitalist state "mediates" among dominant class fractions to produce policies that incorporate "working-class demands into legislation on capitalist terms."

To substantiate these ideas, Quadagno (1984) uses a model of the U.S. capitalist state to structure a narrative history of the formulation and passage of the Social Security Act of 1935. U.S. state managers are said to be arrayed in a hierarchy, with those in the national executive responsive to "monopoly capitalists," who are large employers operating in national markets, while politicians in Congress are tied to "nonmonopoly capitalists" operating more competitively and labor-intensively in subnational markets. According to Quadagno, a handful of "welfare capitalists" from the monopoly sector basically shaped the Social Security legislation by working through New Deal executive leaders. Insofar as they did not get all they wanted, it was because they had to compromise in Congress with the interests of smaller businessmen and Southern planters.

A series of arguments are mistaken or misleading in this article:

(1) Quadagno vastly exaggerates big business's influence on the framing of the Social Security legislation within the executive branch. There are problems with her depiction of both the aims and the political capacities of capitalists. To begin, Quadagno leads one to believe that "monopoly capitalists" as a "class fraction" were ready by the 1930s to transform

experiments in corporate employee pensions into compulsory public insurance programs. On the contrary, by 1934-35 virtually all politically active business leaders and organizations strongly opposed national and state-level pensions and social insurance, along with other legislation perceived as "pro-labor" and/or likely to raise taxes (Berkowitz and McQuaid, 1980:90-92; Burch, 1973; Hawley, 1975:65-66; McQuaid, 1979; Nelson, 1969:202-203, 217). Only a handful of liberal-reformist businessmen remained in contact with New Deal leaders after mid-1934, and neither Quadagno nor anyone else has ever shown that they were representative of their "class fraction" or even of their industries. Not all of the liberal welfare capitalists came from big businesses and virtually none were from the mass-employment sectors (see the list of company affiliations in Witte, 1963:49-50).

More telling, on many major issues the tiny number of welfare capitalists who actually participated in the formulation of the Social Security Act did *not* win the support of the key executive-branch actors, who were President Franklin Roosevelt, Labor Secretary Frances Perkins, and Edwin Witte and the Cabinet officers who made up the Committee on Economic Security (CES). Nationally standardized plans for unemployment insurance were virtually unanimously advocated by professional experts, labor leaders, and welfare capitalists alike (Skocpol and Ikenberry, 1983:126-31). But Edwin Witte, the coordinator of the CES, wanted to finess disputes between advocates of the "Wisconsin plan" and the "Ohio plan" for unemployment insurance, and Perkins and Roosevelt had long been committed to federal legislation that would leave issues about taxes, benefits, and eligibility to the states (Schlabach, 1969:114-26; Nelson, 1969:206-207). Thus, with respect to the crucial issue of whether the United States should have a uniform, national unemployment insurance system that would protect "progressive" employers from lower-cost competitors, these executive branch "state managers" were not at all willing to support the preferences of the businessmen whom Quadagno labels "monopoly capitalists." In addition, Quadagno mistakenly implies (1984:642) that "merit ratings" favored by welfare capitalists were written into the proposed Social Security legislation; actually this matter was left to the states (Stewart, 1938:605). And Quadagno does not report that

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recommendations by capitalists for mandatory employee contributions to unemployment insurance, for statutory limits on business taxes, and for exemptions to allow companies with private insurance plans to stay out of the public system all fell on deaf ears in the CES.

(2) Quadagno accurately points out that labor union leaders and the American Federation of Labor had little input into the formulation of the Social Security Act, yet by focusing so narrowly she downplays longer-term labor influences, especially those registered through the states and Congress. In 1932 the American Federation of Labor reversed its previous opposition and came out in support of state-level unemployment insurance with taxes only on employers; various state Federations of Labor had already moved on this front in 1930–31 and would continue to do so with increasing effectiveness in the following years (Nelson, 1969:156, Ch. 8). For example, by April 1935, New York state passed the most pro-labor form of unemployment insurance in the nation, a law sponsored by the Federation of Labor featuring relatively high, fixed taxes on businesses in all industries and also allowing unemployment benefits to be paid (after a delay) to striking workers (see the full discussion of the New York case in Amenta et al., 1984). Meanwhile, in Congress during 1934, a frequent ally of the AF of L, Senator Robert Wagner, introduced the Wagner-Lewis bill, which called for a federal tax-offset system to require all states to enact some system of unemployment insurance (Huthmacher, 1971:174–76). Quadagno acknowledges that the AF of L worked for a version of Wagner-Lewis, whose provisions directly foreshadowed the unemployment insurance provisions of the Social Security Act; yet she writes (1984:638–39) as if true working-class interests were embodied only in the leftist-sponsored Lundeen bill, which never had any chance of passage.

(3) Quadagno mistakenly presents Congress as simply an arena for the translation of “non-monopoly” capitalist interests into policies more conservative than they otherwise would have been had the executive branch/“monopoly capitalist” alliance prevailed. This model could not account at all for the Wagner National Labor Relations Act of 1935, for which Congressional liberals took the initiative in the face of the Roosevelt administration’s reluctance to support pro-union legislation (see Skocpol, 1980). For Social Security, moreover, we are not sure that Quadagno really believes her own model; in the one instance she presents of “monopoly capitalists” failing to get their way (on the “subsidy plan” for unemployment insurance), the defeat occurred in-

side the executive, not in Congress. In any event, had any sort of business influence really been decisive in Congress, there would have been no Social Security Act. Instead, popular aspirations for action on old age security, including pressures from the massive Townsend movement, were registered through Congress (Holtzman, 1963: Chs. 4–5; Brinkley, 1982:223–24); and possibilities for unemployment insurance surely improved when urban-liberal strength in the Congress grew remarkably in the off-term election of 1934 (Patterson, 1967:32–33).

Beyond this, it is a well-known feature of U.S. politics that Congressional representatives tend to protect the policies and the administrative prerogatives of the states and localities from which they are elected. The nature of U.S. political parties and electoral processes encourages this (Grodzins, 1960; Lowi, 1975). To be sure, interests opposed to generous social policies have often benefited, but not invariably. For *more generous* (as well as *less generous*) forms of public social provision—such as New York’s approach to unemployment insurance—have been sustained through federal legislation granting considerable policy autonomy to the states.

(4) Quadagno does not adequately explain why the old age insurance title was the only national program established by the Social Security Act. According to the logic of her model, Quadagno would have had to demonstrate that—for strictly economic reasons—“monopoly capitalists” (in contrast to other interests) favored national old age insurance, but not national public assistance or unemployment insurance. And she would have had to show that “nonmonopoly” capitalists—again, for economic reasons—opposed national unemployment insurance and a stronger national role in public assistance much more fiercely and effectively than they opposed national old age insurance. She provides no such evidence.

If we notice that the CES formulators of Social Security tried to anticipate what would get through Congress (Grodzins, 1960:978–80; Perkins, 1946:291), and if we acknowledge that Congress functioned to protect preexisting state legislation and administrative arrangements, then the incidence of preexisting state policies nicely explains the programmatic variations within Social Security: *The greater and more entrenched the state-level initiatives before Social Security, the fewer the federal controls built into that part of the Act.* In the case of public assistance for the elderly poor, the disabled, and dependent children, there were many states with locally administered programs and the possibility of purely national

programs was not seriously debated; rather, Social Security mandated the federal government to supplement state payments with general revenues. In the case of unemployment insurance, six states had passed bills before August 1935 (with many more moving toward new legislation) (Stewart, 1938:26–28); after much debate, the framers of the Social Security Act used a federal tax on corporations to induce all states to legislate on unemployment insurance, but left the provisions of taxation and coverage up to each state. In the case of old age insurance, there were no state-level laws or even serious debates about them, and the Social Security program as proposed and enacted was purely national. In sum, Quadagno is entirely mistaken to argue (1984:636) that the prior existence of state policies did not serve as a constraint against new, purely national programs in the mid-1930s. Even if only recently enacted or on the verge of passage, state laws had years of political struggle behind them. Economic groups and politicians alike had vested interests in their *varied* provisions, and Congress could protect that variety through federal legislation.

(5) In the light of the specific weaknesses just discussed, one can also question Quadagno's polemic dismissal of Skocpol's "state-centered" explanatory frame of reference. Inappropriately citing only an article (Skocpol and Finegold, 1982) that deals with policy implementation rather than the shaping of new legislation, Quadagno (1984:634) misrepresents Skocpol's approach as a crude single-factor determinism that exclusively stresses the role of "entrenched bureaucracies." None of Skocpol's writings give any warrant for this characterization of her views (see especially Finegold and Skocpol 1984:161–69; Orloff and Skocpol, 1984:730–32; Skocpol, 1980, 1985). Skocpol's perspective highlights the potentially autonomous role of all kinds of political officials, the effects of state structures on patterns of policymaking and social conflict, and the effects of preexisting governmental policies on later social and political struggles.

Using all aspects of this perspective, Skocpol and Ikenberry (1983:120–39) sketch an analysis of the Social Security legislation that competes point for point with Quadagno's presentation. The federal structure of the U.S. state and the pivotal role of Congress in the national state structure both figure as independent explanatory factors for Skocpol and Ikenberry. In addition, they highlight the role in shaping Social Security of social policies and administrative arrangements previously developed in the states, and particularly in the state of Wisconsin, home of the key architects of the Social Security Act. Wisconsin was the state

with the strongest tradition of social administration and the closest ties between state government and university-based policy intellectuals (Amenta et al., 1984).

Economic interests and class relations certainly cannot be ignored in explaining the Social Security Act, but they must be examined in relation to the structure of the U.S. state and political parties. For example, one cannot account for the influence of Southern agricultural interests in the New Deal by examining only their class interests or economic weight in the national economy. Their leverage was registered through an electoral structure that disenfranchised blacks, and through a Congressionally centered and federally rooted policymaking process that allowed key committee chairmen from "safe" districts to arbitrate many legislative details and outcomes. It was also important that, from the New Deal onward, the "national" Democratic Party used Congressional committees to broker the internal divisions between its Southern and urban-Northern wings (Bensel, 1984:147–55, 173–74, Chs. 7, 9). Taken together, these features of the U.S. state structure and the New Deal party system magnified the capacities of Southern landlords to affect federal policies—at the same time that they also magnified the capacities of other interests, including the sections of organized labor allied with urban Democrats in the North.

All in all, as the deficiencies of the Quadagno article suggest, it makes little theoretical sense to collapse the state into class relations or interests. We will do better to analyze policy outcomes and struggles as rooted fully at the *intersections* of state structures and social relations. The goals over which actors conflict, and their capacities to prevail, are simultaneously based in political organizations, including states and parties, and in class and other basic social relationships.

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TWO MODELS OF WELFARE STATE DEVELOPMENT: REPLY TO SKOCPOL AND AMENTA*

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Posed before the reader are two models of welfare state development: my own, in which I suggest, as Skocpol and Amenta correctly state, that political structures must be considered in terms of their underlying economic dimensions; and that of Skocpol and her collaborators, which asserts that preexisting state policies explain programmatic variations and that policy outcomes and struggles are rooted at the intersections of state structure and social relations. The first two criticisms of my thesis allege that my empirical data do not support my theoretical conclusions, while the other two criticisms point to what Skocpol and Amenta argue are conceptual flaws in my model.

The essence of Skocpol and Amenta's first comment is that I vastly overrate the extent of monopoly-capitalist influence on social security legislation. According to their evidence, all politically active business leaders and organizations were opposed to both national and state-level pensions and were not willing by the 1930s to transfer experiments in corporate employee pensions to public social insurance. In my own continuing research on this topic, I have

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