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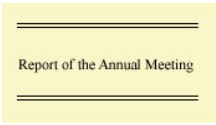

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CHANGES IN THE FUNCTIONS OF GOVERNMENT

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THE rapid growth in the functions of central governments is one of the remarkable features of our time. Everyone is familiar with the range which government action had come to cover in Britain, the United States, and Canada by the time war broke out in 1939. Although the time of adoption and the pace of assumption of new functions had varied in the three countries, the patterns of government action were remarkably alike. We know that the development arose out of the frenzied economic and social change which is convulsing the world. It is easy to show that most of the newly adopted functions of the half century before 1939 came about in response to some need for adjustment in social relationships, although it is not so clear that governmental action was always the most appropriate response. Beyond that, we know very little. What lies beyond the proximate causes in the remoter realms of social causation is obscure. Nor is it evident, except to those with prophetic insight, what the political, economic, and social consequences are to be.

It is generally said that the growth of new governmental functions began towards the end of the nineteenth century with the decline of the philosophy of laissez-faire. But a long enough view would probably show that the secular trend of state action has been upward ever since the emergence of the modern nation state. As the physical limitations of time and space were overcome by better communications and the economic surplus necessary for feeding more civil servants grew, more civil servants appeared. Likewise, it could no doubt be shown that there is a close correlation between the development of reliable social and economic statistics and the growth of the functions of central governments. There are numerous other factors involved besides the prevailing political philosophy.

To take the case of Britain, the influence of laissez-faire interrupted the upward trend in the eighteenth and nineteenth centuries. But even here, it is questionable whether it imposed any substantial net reduction in the activities of the central government. There were suggestions for abolishing the Home Office around 1820 but after 1830 new functions for the Home Office were rapidly found in the supervision of factory legislation, prisons, and police. The navigation laws were repealed but the Merchant Shipping Act of 1854 maintained detailed supervision of the shipping industry in a great number of matters. Tariffs were abandoned in favour of free trade but the same generation saw the central government begin the supervision of the poor law, public health, and education. The beginning of railway regulation dates from the same period. The figures on employment in the civil service while perhaps not strictly comparable show a striking increase in the numbers of civil servants between 1832 and 1871—the very period in which laissez-faire had its greatest influence.

This is not so surprising when we remember that while laissez-faire may have been an absolute for the classical economists, it was not so for the genuine Benthamites who exerted a great influence on public policy in this period. The only absolute the Benthamites had was utility and there were

a number of kinds of governmental activity which to their minds satisfied the test of general utility. The great era of laissez-faire saw the relaxing of state control over the general conditions of economic life and thus was of great significance. It did not stop the assumption of new functions by the central government.

Yet the general prejudice of the middle class was against governmental action and as long as they were politically dominant there were no blitzkrieg panzer thrusts through the lines of laissez-faire. It is generally agreed that the decline of the influence of laissez-faire on public policy dates from about 1870. The significant events on the world stage and from the point of view of an economic interpretation of the expansion of governmental functions were the victory of the Northern States in the Civil War and the unification of Germany. These events were the occasions of a resumption of tariff making. The causes of the revived protectionism are, of course, numerous and complex. Not the least important was the impact which the experiment in laissez-faire had already had on different countries in the world. At any rate, the long run effect of the renewed preoccupation with tariff schedules was to dislocate the self-regulating economy and thus prepare the way for innumerable interventions of government. Of more immediate importance as far as Britain was concerned were the extensions of the franchise in 1867 and 1884. The urban and agricultural workers who had little theory but were acutely conscious of needs became a power in the land. One of the first results of the enfranchisement of the urban workers was the repeal of discriminatory laws against trade unions. In the end, this produced pressure groups at least comparable to the lobbyists for tariff favours. It took the newly enfranchised groups some time to realize that government could be made to respond to their demands but the emergence of the Labour party shows that by 1900 the lesson was being learned. Universal suffrage and tariff policies have both been important factors.

Nor were moral attitudes without an influence. Bradley and Green did something more than undermine the laissez-faire philosophy. They asserted the positive duty of the state to ensure the conditions of the good life. There was a quickening of the social conscience in Britain in the later years of the nineteenth century. The early crusading Fabians contributed to the awakening and indicated various means by which the state could come to the aid of the citizen.

From 1870 to the turn of the century there were slow but steady additions to the functions of government. There continued to be a strong presumption against state action and each new addition had to justify itself in the face of strong resistance. After 1900, however, the awakened social conscience and the awakened electorate worked together. Aided by the logic of modern war, they completely routed laissez-faire in the first twenty years of the century.

Naturally, the development in North America was different. Throughout the greater part of the nineteenth century, the predominance of agriculture and the open frontier afforded other means of meeting or evading many social and economic difficulties. A wide franchise did not lead to demands for governmental action because the conditions of the good life in the way of ample opportunity seemed already to be provided. Of course, North American governments had certain functions which were peculiarly their own. They helped the enterprising to help themselves by distributing

railway grants, mining concessions, timber limits, and free homesteads. This involved very little officialdom and almost no regulation but it did help to popularize the idea of government as an institution for providing services. Towards the end of the nineteenth century with the closing of the frontier and the rapid pace of industrialization, the forces already at work in Britain began to make themselves felt in America. Despite the experience of the first World War, the upward trend of government activities was much slower than in Britain until the onset of depression in 1930. Thereafter, America rapidly began to make up time, and a pattern of state functions similar to that of Britain took shape before 1940.

There are some grounds for thinking that the period from about 1900 to 1940 is a distinct period in the history of state activities. The marked quickening around the turn of the century shows that the inhibiting influences of laissez-faire, whatever they were, were falling away and that the idea of using the government as an instrument of general adjustment was gaining wide acceptance. It is not yet clear whether the second World War which lifted the relationships of government and society on to a new plane is merely a distracting episode due to abnormal circumstances or whether it marks the beginning of a new dispensation. During the war democratic governments not only extended their activities in relation to social and economic life but their operations changed their character and their objectives. Government was no longer merely an instrument for piecemeal adjustment; it became the expression of a controlling central social purpose. It remains to be seen whether there are forces strong enough to prevent this transformation being decisive and permanent.

For purposes of comment here, at any rate, 1900 to 1940 will be taken as a distinct period, which may be called the period of interventionism. To grasp its distinguishing feature, we must look at the main characteristic of the previous period. In the laissez-faire period, the laws which were made and the governmental action consequent on their making mostly aimed at establishing and maintaining the general conditions of public order. It would be oversimplifying greatly to say that they followed the famous prescription of Adam Smith, particularly in North America where government was actively aiding economic development. Yet in the main they conformed to a general type of which the criminal law is the best example and they partook of a spirit which is best expressed by the slogan, "equal rights for all and special privileges for none." To limit governmental action to the general conditions of public order is to conceive public order very narrowly but it has the merit that restrictions which a man approves for others he adopts for himself, and benefits he gets for himself at public expense automatically extend to all. It makes the golden rule the first principle for the formulation of public policy.

This conception of the role of the state rested on the faith that a human society, given a dependable general framework of public order, can be autonomous and self-regulating, meeting the shock of social dislocations with its own resources and overcoming that shock without imperilling the indispensable foundations of public order and without calling on the peculiar instruments of the state. Whether for sufficient reasons or not, this faith began to weaken towards the end of the nineteenth century. It was not abandoned entirely but it was sharply modified. The resources of society for making social adjustments to rapid economic change came to be regarded

as too weak or too slow in operation to prevent dangerous undermining of the general conditions of public order. It was necessary to seek summary adjustment through governmental action relying on coercion if necessary. Government came to be concerned with particular indirect threats to public order and not merely with its general conditions. This involved repeated and ever-increasing interventions in particular sectors of social life. Yet almost all these interventions assumed the existence of an autonomous social and economic order which needed to be corrected but not superseded. Due either to the survival of the earlier faith or to a residue of unconscious habit, it was not thought necessary for government to take continuous and over-all responsibility for the ordering of social relationships. There is no need to labour the point. The social planners have summed it up in a sentence. There was no plan.

The lack of a plan did not mean, however, the absence of certain proximate objectives. One of the *clichés* of this period was that the negative state of laissez-faire had been succeeded by the positive state aiming at certain limited yet positive objectives. The objectives can be represented as standards of general well-being in the community. They were minima and not maxima. The government did not set out to make people perfectly healthy or perfectly educated but aimed only to ensure a minimum of public health and public education.

To enumerate all these objectives, it would be necessary to recite most of the additions to the functions of government in the period. But most of the new functions were related to one or more of six principal objectives. Two of them are the obvious ones of public health and public education. The third is physical safety, a serious matter in a crowded society making a wide use of dangerous substances and dangerous machines. Safety regulations in factories and shops and on railways and highways are instances which come immediately to mind. The fourth is social well-being, or some minimum of social justice. Obvious examples are minimum wages, workmen's compensation, and a considerable variety of social services.

The fifth group of government activities is more difficult to label with a word or phrase. With some hesitation, it may be said that the aim was economic efficiency although considerations of social justice were generally influential and sometimes dominant. Furthermore, in relation to this group of activities, organized interest groups made a sharp impact on public policy sometimes distorting the objective. The activities in question are those in which the government intervened directly in the operation of the economy. Except where the government took over the direct operation of economic enterprises, the purpose of the interventions seems to have been to provide conditions in which the private competitive economy would function more effectively.

The first requisite, perhaps, of such an economy is freedom of contract. Genuine freedom of contract, however, requires approximate equality of bargaining power and position. Where one party to the contract is at a decided disadvantage either through necessitous condition, lack of knowledge of market conditions or some other important factor, or through the other party occupying a superior strategic position such as monopoly affords, contract is not free. The weaker party does not genuinely agree but submits to a form of compulsion. The party in the superior position relies on his power as well as, or instead of, the reciprocal benefits of fair exchange. The

economy does not function freely; its capacity for self-adjustment and its efficiency decline. Interventions by government which reduce somewhat the inequalities of bargaining position help to maintain the autonomous economic and social order.

The regulation of the rates and service of monopolistic public utilities is a classic example. Provisions for dissolving offending trade combines and trusts is another. The fixing of minimum wages and the regulation of small loan sharks will illustrate interventions inspired by necessitous condition. The affirmation by government of the right to collective bargaining by workers, toward which some steps had been taken prior to 1940, is another illustration of the same principle. Grading and marketing legislation helps to protect primary producers with inadequate knowledge of or control over marketing conditions. Regulation of the financial probity of insurance and trust companies which take your money now but do not perform their part in the bargain until, it is to be hoped, many years hence is an instance of inequality arising out of the very nature of the contract itself.

Another group of government activities of a rather different character also minister to the objective of economic efficiency. These rarely involve any element of coercive regulation but consist rather in the provision of services to particular industries. Governmental research, commercial intelligence, and a variety of conservation measures can be said to fall into this category. Conciliation and arbitration of industrial disputes are services designed to prevent or shorten interruptions of production. The most striking instance in North America, at any rate, is the wide range of services provided for agriculture.

The sixth objective has to be described bluntly as effecting by governmental action some change in the distribution of the national income, giving to some groups in the community a larger, and to some a smaller, share in the national income than the unimpeded operations of the market would have provided them. Of course, almost all the governmental functions referred to here affect the ultimate distribution of the national income in some degree. Social security measures, for example, effect significant redistributions of the national income. So in smaller measure do the services provided for agriculture at the expense of the taxpayer. But the group of activities now under consideration effect such changes directly and, in many instances, deliberately and not merely as an incidental by-product of the pursuit of some other objective.

There is no need to explain how tariffs have been used for this purpose. In recent years, the control of currency, credit, and foreign exchange rates has been used to alter subtly the distribution of the national income which might otherwise have been anticipated. Railway rates have been fixed to give a relative advantage to some groups of producers or shippers over others. Governmental fixing of fair wages as distinct from minimum wages, setting a political price for wheat and other products, and measures designed to restrict the supply of particular commodities have similar results. While tariffs are an old story, they were used with greater vigour and more frankly in this period than ever before. The same is true of manipulation of credit and foreign exchange and railway rates. The later years of the period under discussion showed a rapid development of a variety of measures of the character just outlined.

Some of these measures may have contributed to the efficiency of the self-adjusting economy but most of them tended to multiply its difficulties and to call for still further interventions. In so far as they expressed any conscious public policy, it must have been the promotion of social justice. However, we reach here the point where it is hard to find any unified conception of the public interest. Many of these governmental interventions to alter the distribution of the national income are little more than registrations of the results of the push and pull of powerful organized pressure groups.

Indeed, the assigning of a great many of the new functions of government to a few clear-cut objectives of public policy may be largely rationalization after the event. For organized interest groups have played a significant part in the adoption of most of the functions undertaken in this period. Most of these functions if vigorously performed are an immediate benefit to some groups and an immediate burden to others. We have already noted this result as incidental to social security measures and services to agriculture. Workmen's compensation laws, by making industrial accidents one of the costs of productions, benefit industrial workers at the expense of consumers. The regulation of public utilities benefits the users of their service at the expense of the enterprisers. There is no need to multiply examples. It may be that, in each case, there are long range benefits to the community as a whole including those on whom the immediate burden falls. However, except in relation to the objectives of public health, education, and safety, the long range benefits are indirect and often difficult to trace and to establish convincingly. I believe them to exist in all the instances just cited but I can name people who do not. Very few people attempt the extended inquiry necessary to trace out the probable effects of such measures. The articulate public in relation to them is largely made up of groups which see in them an immediate advantage or burden. The established practice and expectation of governmental intervention in particular sectors of social life invite those who are immediately affected to introduce calculations of private advantage into their judgments on public policy.

While the necessary data for measuring the part played by organized interests in launching the newer functions of government is not available, we have some important circumstantial evidence. The multiplication of government functions between 1900 and 1940 is paralleled by the multiplication of organized pressure groups and ever more intimate relationships between them and government. There were organized group interests before 1900 but they were much fewer in number and not nearly so effectively organized for offence and defence as they are today. A number of factors encouraged their luxuriant blossoming in this period. Perhaps the most important has been the spectacle of mounting government intervention. When it became evident that there was no longer a stubborn presumption against government intervening in particular aspects of social life, groups of people who were conscious of sharing a common interest which government action might help or hinder, found it expedient to organize, or if already organized, to provide themselves with more effective weapons.

The organized interests have not been content to lobby the government and the legislature and to propagandize the public. They have bargained with political parties for their support. They have sought not without suc-

cess to participate in the administration of those activities of government which directly affected them. In North America, at any rate, there has been a marked tendency for administrative boards and commissions, set up in connection with the newer functions of government, to be made up in part of representatives of the affected interests. Everyone knows that they are constantly demanding still further representation of this kind. A tinge of corporatism has appeared in the administrative structure of democratic government.

Here we reach the question of the effects of the additions to governmental functions on liberal democracy. Prophets of doom are not wanting. There is no need to expound at length the arguments of the remaining supporters of laissez-faire, those unadaptable mastodons who have somehow survived their *milieu*. Governmental interventions in the economy become so numerous and so capricious and taxation becomes so burdensome that they sap the initiative of private enterprise. Those who would have been *entrepreneurs* taking adventurous risks, buy government bonds and fold their hands. Productivity falls and the most frantic efforts of government to stimulate it fail. After some experience of this, the country is ready for a saviour.

Another analysis is offered, which is not specifically Marxian but can be put in modified Marxian terms. It amounts to saying that a new inherent contradiction in liberal democracy has presented itself. The liberal society rests as much on freedom of association as on the other freedoms more frequently emphasized. The autonomous self-regulating social and economic order depends much more on spontaneous collective action through association than on the much touted individualism. It is only through combining with others that individuals can make adjustment to the chances and opportunities of an unpredictable world. The liberal society which abridges freedom of association for purposes which do not offend the criminal law denies itself just as surely as when it abridges freedom of speech. Yet well organized groups cannot resist the temptation to try to bend government to their purposes. When all significant group interests are fully organized, their conflicting demands will destroy any remaining unity and consistency of governmental policy, and governmental interventions in social and economic matters will be determined by the log-rolling of a host of interests. Democratic government responding to the warring clash of interest groups will make short work of the autonomous self-regulating society and, because of its own very nature, will be unable to plan a coherent directed order to put in its place.

Such forecasts as these, resting on assumptions which cannot very well be tested are little more than prophecies, although it must be said that the disordered economic and political conditions of the nineteen-thirties support rather than discredit them. Apart from these questions, however, the wide range of governmental interventions which immediately benefit or prejudice particular groups and the organization of a great variety of group interests to promote or resist particular government activities raise a political problem which deserves more attention than it has had.

The problem arises out of the fact that liberal democracy cannot rely on any authoritative statement of the public interest. Genuinely authoritative formulations can only be given by absolute monarchs and dictators with overwhelming force at their command. The ruling conception of the

public interest in a democracy must be derived from consent because, in the long run, the power of the rulers rests on persuasion. So the public interest can only be described as a succession of tentative formulations groping by trial and error for policies which will win general and lasting approval, with no guarantee that any of them will survive the next election. Lacking general agreement on what to do next there is no peaceful alternative to continuous experiment. This is the justification of political parties and alternating governments. Each party works out a programme which it identifies with the public interest in the hope that a sufficient majority of the electorate can be persuaded to support it.

The parties have never lacked for suggestions about what to do. On the contrary, they have always been embarrassed by the number of divergent and inconsistent proposals clamouring for recognition as public policy. There are always a multitude of plans for saving the country. Yet only a few of these can be adopted at any one time and the problem of the political parties is to find compromise programmes which attract the support of majorities. The task of the parties is always to act as catalytic agents, precipitating majority decisions in a cloudy and confused electorate. This feat sometimes requires hocus-pocus and legerdemain, accounting in great measure for the disrepute of the party system.

Solid majorities which give power to and fasten responsibility on a political party are the only guarantee at any time against organized raids by combinations of interest groups, the only assurance even that the minimum conditions of public order can be met. Democracy has no other resource since it does not accept dictated prescriptions for the public interest. This is the case for having as few parties as possible as long as there are more than one. For numerous parties always bring too many divergent conceptions of the public interest into the legislature and thus increase the bargaining power of narrow interests. It becomes exceedingly difficult to pursue any coherent consistent conception of the public interest. We have only to remember the multiple-party systems of Europe.

American and Canadian experience indicates that even the formal maintenance of the two-party system is not always enough to prevent forays by combinations of pressure groups. For a long time, the older national parties in the two countries have been, to a considerable extent, combinations of sectional and other interest groups and they have been charged periodically either with promoting selfish narrow purposes, or with failing, while in power, to push forward the measures urgently needed in the public interest.

There are two relatively new factors at work which seem likely to increase these dangers. First, the enlargement of government activities enlarges the pork-barrel and fills it with juicier and more succulent hams than ever before. Second, the traditional loyalties on which even Canadian and American parties have depended in the past are steadily disappearing. There was no doubt some naiveté in the rooted allegiances to the principles of the parties of Macdonald and Laurier. But while they existed in considerable numbers they performed a double function. On the one hand, they were some restraint on cynical bargains between the leaders of the parties and the hungry interests. On the other hand, they were a dependable element of party strength and the parties did not need to bid so feverishly for the support of the bargaining groups.

There is no doubt about the decline in sturdy party loyalty although opinions may differ as to how far it has gone. Who will say the national party system in Canada is not already splintered with almost a thousand candidates running for two hundred and forty-five seats? There are grounds for thinking that the national parties in the United States would have broken openly into a number of blocs if it were not necessary to aim at an over-all majority in order to win the Presidency. Various reasons are given for the decline in party loyalty. One of the factors, it may be suggested, is the growth in governmental functions.

One thing is certain; the more activities government undertakes the more various opinions become about what the government is doing. It becomes harder to mobilize majorities which will accept all the diverse activities of government as contributions to the public interest. At the same time, a constantly growing proportion of the population is drawn into highly organized groups whose purpose is to get or prevent particular government action. Every year, more of these organizations establish research divisions one of whose jobs it is to explain to the membership how government action can help or hinder them. Under these circumstances, when everyone sees that the party programmes are largely made up of a series of deals between interest groups, it would be surprising if firm party loyalty continued to be a significant political factor. Thus there is not much doubt that a splintering tendency is at work within the political parties. And even if they do not openly break up, it is becoming increasingly difficult for government to pursue an integrated coherent conception of the public interest.

The difficulty of getting a rationally consistent public policy in the age of interventionism has often been pointed out before. The planlessness, as it were, of governmental action has been one of the factors in the demand for over-all planning. Where government lacks a sense of responsibility for the whole, its whimsical tinkering in response to dispersive pressures is dangerous and may be disastrous. This is no doubt true but it is questionable whether those who want an over-all plan are sufficiently aware of the basic reason for the planlessness, namely, the intense difficulty of getting and implementing a comprehensive unified conception of the public interest in a democracy.

The social confusion of the period of interventionism made the idea of over-all planning extremely attractive. It seemed to call for a unified conception of the public interest which remains stable over a long period and to which all governmental action is rationally related. The opportunity, or rather the necessity, to try it came with World War II. A single dominating purpose, a crystallization of the public interest, emerged in the winning of the war and government planned comprehensively for that end. It has been highly successful. Confusion and frustration came to an end with great productivity and substantial advances in social justice. The planners in all political camps are elated and they have lost no opportunity of impressing the lesson on the electorate. The most modest objective they will accept for the future is full employment. The current response of all political parties suggests that the idea has been sold to the electorate. That is why I have ventured to say that 1940 may well have been the end of the period of casual interventionism.

Unless strong expansionary influences not depending on governmental initiative come to the rescue, it will be impossible to reach the objective of

full employment by the kind of interventionism practised in the past. It will probably require more planning than most people anticipate. Government will have to take the responsibility for integration of the economy and the ordering of social life. Reliance on an autonomous self-regulating society will no longer be possible. This will make the conscious formulation and unifying of public policy the first imperative of our lives. Democracies have never done the job too well. Their most effective instrument for doing it has been the two-party system. Under conditions which threaten to disintegrate the parties, we shall need more than ever before solid electoral majorities which will not flinch or waver in their support when government undertakes the painful adjustments for which it has largely evaded responsibility in the past.

It is true that the objective of winning the war got almost universal acceptance. Yet there is plenty of evidence of a widespread divergence of views about the appropriateness and the justice of many of the means chosen to accomplish the end. There are indications that many measures were accepted with bad grace by the groups concerned and only because they were thought to be temporary emergency measures. It will be surprising if this muzzled resentment does not express itself at the polls. Moreover, we have no way of estimating to what extent both ends and means were accepted because of fear or other emotional compulsions which would not operate in time of peace. In our experience of the last five years, there is not a great deal to justify us in believing that we as an electorate can give steady adherence over a long period to a comprehensive unified conception of the public interest. But perhaps all this merely confirms a statement made at the beginning that it takes prophetic insight to trace the outcome of the great changes in the functions of government.