

# Marching to Bismarck's Drummer: The Origins of the Modern Welfare State

BY RICHARD M. EBELING



Soviet-style socialism may now be a thing of the past, but there is one form of statism that still dominates the world, including the United States: the modern welfare state. Its tentacles of paternalistic control reach into every corner of personal and social life. It has made all of us “children of the state,” and weakened our desire and appreciation for self-responsibility.

Of course, things were not always this way. And it is worth recalling how this state of affairs came about. The modern welfare state had its birthplace in late nineteenth-century Imperial Germany under Chancellor Otto von Bismarck. In the 1870s the Social Democratic Party gained increasing support from the voters in elections to the parliament, the Reichstag. Fearful that the socialists might win a majority, Kaiser Wilhelm and the conservative parties resolved to thwart this dangerous challenge to their power and the existing order.

In the early 1880s the Kaiser agreed to support the first welfare-state legislation sponsored by Bismarck. A decade later, Bismarck explained to an American sympathizer the strategy behind these laws that guaranteed every German national health insurance, a pension, a minimum wage and workplace regulation, vacation, and unemployment insurance. “My idea was to bribe the working classes, or shall I say, to win them over, to regard the state as a social institution existing for their sake and interested in their welfare,” he said.

But it would be a mistake to view the birth of the modern welfare state simply as a cynical political move to win over the workers by preempting the appeal of the socialists. It was also argued for on the basis of a supposed higher “social good” and a conception of human freedom superior to the “mere” protection of life, liberty, and property.

In 1915, an American admirer of the German welfare state, Frederic Howe, explained the nature of the system in a book called *Socialized Germany*:

The state has its finger on the pulse of the worker from the cradle to the grave. His education, his health, and his working efficiency are matters of constant concern. He is carefully protected from accident by laws and regulation governing factories. He is trained in his hand and in his brain to be a good workman and is insured against accident, sickness, and old age. While idle through no fault of his own, work is frequently found for him. When homeless, a lodging is offered so that he will not easily pass into the vagrant class.

Howe admitted that under the German system, with its extensive controls and regulations, “The indi-

vidual exists for the state, not the state for the individual.” But he insisted that this did not mean a loss of freedom. “This paternalism does not necessarily mean less freedom to the individual than that which prevails in America or England,” he argued. “[T]he German enjoys a freedom far greater than that which prevails in America or England. This freedom is of an economic sort. . . . It protects the defenseless classes from exploitation and abuse. It safeguards the weak.”

If the state were to take on these new responsibilities, how far would the new powers extend? The answer was that there were no limits. The only rule was political expediency. Howe explained this as well: “In the mind of the Germans the functions of the state are not susceptible to abstract, a priori deductions. Each



Otto von Bismarck (1815–1898)

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Richard Ebeling ([rebeling@fee.org](mailto:rebeling@fee.org)) is the president of FEE.

proposal must be decided by the time and the conditions. If it seems advisable for the state to own an industry, it should proceed to own it; if it is wise to curb any class or interest, it should be curbed. Expediency or opportunism is the rule of statesmanship, not abstraction as to the philosophical nature of the state.”

In this new world there was no place for universal and enduring principles concerning the individual's rights to life, liberty, and property, or for constitutions to prevent governments from encroaching on freedom. Every policy issue was to be guided by the pragmatic interests of the day.

This German conception of government and the welfare state slowly but surely made its way across the Atlantic to America. In the late nineteenth century there were very few American universities that offered doctoral degrees. So an American student wishing to earn one as a capstone to his education often had to go to Europe. German universities, in the land of poets, philosophers, composers, and modern progressive thinkers, were especially appealing. Hundreds of young American economists, political scientists, historians, sociologists, and philosophers made the pilgrimage, many of them studying with leading members of the German Historical School, advocates of “state socialism.” The Americans returned home imbued with ideas about the paternalistic state and became leaders of the movement for “social reform” during what is known as the Progressive Era in the early twentieth century.

These American converts to the Bismarckian welfare state believed they were an elite on a mission from God. One such influential person was Richard Ely, a professor of economics at the University of Wisconsin who had studied in Germany and then co-founded the American Economic Association in 1885 to advance the welfare-state agenda. In 1895 he expressed this view in a book on socialism: “Looking into the future we may contemplate a society with real, not merely nominal freedom, to pursue the best; a society in which men shall work

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together for the common purposes, and in which the wholesale cooperation shall take place largely through the government. . . . We have reason to believe that we shall yet see great national undertakings with the property of the nation, and managed by the nation, through agents who appreciate the glory of true public service, and feel that it is God's work they are doing, because church and state are as one.”

Not only would material interests be secured from cradle to grave, but so, too, the spiritual and intellectual interests—education, art, literature. Here was the welfare statist's alternative to both Marxian socialism and classical liberalism.

### Classical-Liberal Critique

The classical liberals and free-market economists of the nineteenth century were highly critical of state intervention in social and economic affairs. They doubted that the political authority had either the knowledge or the wisdom to manage the complex and ever-changing currents of social and commercial life. And they were suspicious of government's having the power to regulate people's lives because while those powers may be couched in the language of the “public interest,”

they understood that the actual motive behind them was to serve some special interest at the expense of the rest of society.

Though not as visually dramatic as the damage done in Eastern Europe, the harm wrought by the welfare state has nonetheless been destructive of our political, economic, and cultural life. It has been and is eating at us from the inside. And to a great extent its success has been due to the fact that, after several generations, people do not even know it for what it is. The welfare state, for many, is a “just” and “caring” society. It is the “American way.”

Our task in the 21st century is to reverse this trend and restore the ideal of liberty in the hearts and minds of our fellow citizens.

