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## THE CRISIS OF THE WELFARE STATE

A. Venkataraman\*

The growth of the welfare state is a major phenomenon of the present century. It has been studied and evaluated from a number of perspectives. In its quintessential form, the welfare state can be described as a system of government "organised to ensure the well-being of citizens and to use their resources to this end".<sup>1</sup> The emergence and growth of the welfare state also meant a greater role for the government and its bureaucracy. Governmental intervention of various sorts has been rationalised on grounds of achieving the welfare of the citizens. But the trend did not last long. Beginning from the early 1970s, opposition to the welfare state has been growing in the industrialized western democracies. The criticisms have primarily been focussed on "the cost of welfare which seemed to outrun available resources."<sup>2</sup> Similar views were expressed on the effectiveness (or the lack of it) of the welfare state in communist political systems.<sup>3</sup> In the last two decades, criticisms against the welfare state have intensified. The dissolution of the erstwhile USSR and the "whithering away" of communist socialist ideology in its former republics and East European countries also gave an impetus to the antagonists of the welfare state.

One major problem with the concept of the welfare state is lack of specificity: while some countries limited its meaning and policy to social security benefits, a few equated it with communist ideology and practice or egalitarianism in a broad sense. But most welfare states lie somewhere in the middle with the objective of providing safeguards to the weak -- children, orphans, handicapped, and aged persons -- and to prevent the exploitation of socially deprived sections. During the period of evolution of the welfare state regulatory aspects also

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became important besides promotional objectives, necessitating a vast expansion of the administrative machinery. This paper seeks to understand and analyse the functioning of the welfare state in terms of three major factors responsible for the present crisis. These are: (a) the ideological faith based on faulty assumptions about human nature and behaviour; (b) the adoption of defective approaches and methods to achieve socio-economic development; and (c) over-reliance on the role of government administrative machinery in welfare state and the consequent problem of lack of cost-effectiveness.

## II

The welfare state signifies an ideological faith imposed upon society by the state. The process of democratisation has further promoted the approaches based on welfarist ideology. The democratic process has created high expectations among the voters so much so the individual is gradually transformed from an independent entity to a dependent one, surviving to a large extent, upon the philanthropy of society and handouts from the state. The beneficiaries in the welfare state consisted of not merely deprived citizen groups, but also politicians, administrators, business and interest groups as many in these groups have come to have a stake in the expanded role of the state. The power and patronage of the politicians and administrators increased enormously. For the more perceptive business groups, the welfare state provided a policy alternative to defuse the potential for class conflict and violent overthrow of the state by revolutionary means. The beneficiaries with direct stakes in welfare state formed lobbies and interest groups to protect and expand the services rendered by the state. Over the years, constituents with widely varying motivations developed a vested interest in propagating the philosophy of the welfare state. Thus, the policies and programmes in welfare state, instead of activating and rejuvenating 'the economic man', resulted in the gradual emergence of an inactive, lethargic, self-centred, over-dependent and socially irresponsible individual, living off on society. One of the main aims of welfarism is to generate more economic wealth so that meaningful redistribution of the same can take place for the betterment of all. However, redistribution has been taking place without a corresponding generation of the expected wealth. This has been going on for a considerable period of time. In countries like India, the task of creating a major portion of wealth and also helping

the nation's economy to reach 'commanding heights' was entrusted to the public sector. The performance of the Indian public sector has been highly disappointing. It failed to fulfil the role assigned to it. Instead of producing new wealth it went on consuming, year after year, the scarce budgetary resources.

A major flaw in the 'welfare ideology' stems from a misconceived understanding of human nature and behaviour. There was no sufficient realisation of this in the early stages, but was realised very late. The endeavour of all human beings revolves around the fundamental principle of 'pleasure and pain'. All their actions are directed to fulfil this objective. Human beings work to the extent of fulfilling their basic needs. Any further work they perform is motivated by the availability of materials which help to reduce pain and increase pleasure, through better comfort and luxury. At times, the process (of work) is undertaken because 'not to work' is viewed as a threat and risk, and non-performance may not enable them to acquire their comforts. However, if basic minimum needs are met without demanding work, the individual would prefer not to work and enjoy the minimum benefits made available by state. One of the assumptions behind the theory of welfare state is that the individual would transform the socio-economic benefits provided to him/her by the state into tangible economic wealth as he/she tends to be productive. This basic assumption is now belied; experience had shown that a vast majority of the beneficiaries had neither become productive individuals nor made any worthwhile contribution to the increase of collective goods. Once the basics went wrong welfarism has become unpopular, compelling a reevaluation of commitment to welfare state.

Another factor responsible for the crisis of the welfare state concerns defective approaches and methods of economic development that leave little surplus for welfare expenditures. Even in the developed countries the increasing cost of welfare services became a severe burden on the government. The situation forced the curtailment of welfare expenditures or limited the expansion of welfare services. The problem became more acute in socialist and developing countries in which the role of the state was confined not merely to provision of social welfare services, but also extended to extensive economic management, often directly. State intervention in the economic sphere was intended to produce additional wealth for financing welfare activities. From a theoretical

standpoint, social welfare tasks have also been viewed as a precursor for economic development and, therefore, social development activities like education, health, housing, social security, etc. have been taken up on a priority basis. Unfortunately, as noted earlier, state intervention in the economic sphere has not produced encouraging results. The developing countries were, therefore, forced to stretch the limited resources that were available with them to fulfil the objectives of social development. If developed countries came to view welfarism as a burden on the economy, it became much worse in the case of the developing countries. The socio-economic crisis in most of the developing countries is much more acute and serious than that in the developed ones because, apart from the above-mentioned problems, the increase in population in these countries added extra burdens.

The limited resources available in developing countries have to be distributed on some equitable basis to the ever-growing population. Demands for services from different groups led to increasing competition among the various beneficiary groups. The state, especially in Third World democracies, is compelled to meet the demands, however unreasonable they may be, fuelling further expectation of benefits from the government. The political complexities of satisfying the competing demands of various groups resulted in corruption and other misuses of public money. Over the years, misutilisation of resources became extensive. But this pattern had gained political acceptability so much so the socio-economic welfare objectives got deflected. Despite increased governmental expenditure on welfare, the outcome is absolutely disappointing. How long can a state subsidise social welfare and economic functions which do not fulfil the stated objectives? How can the state distribute economic wealth, without in the first place, facilitating the creation of it? How long can a government depend on external aid and support the upkeep of the services of the welfare state? Such unpleasant questions were asked, beginning from the late 1970s, forcing the governments in developing countries to rethink on their methods of dispersal of socio-economic benefits.

Another major problem concerns the structure and behaviour of the administration in the welfare state. The immediate task that confronted the welfare state in developing countries was the need to evolve and develop an administrative system consistent with programme

commitments, if not the purposes. With an accelerated growth of governmental activity, bureaucracies expanded. Very often, the expansion of the administrative machinery is based on Parkinson's Law. As such, the government, and more particularly its administrative machinery, are subjected to several criticisms. Since much of the money meant for welfare recipients goes for salaries and the establishment, welfarism is often narrowed to serving the interests of political elites and bureaucracies. Moreover, when government seeks to perform all and different kinds of functions, administration tends to be ineffective. In this process, the goals as well as the approach of welfare state got deflected, with commitment, effectiveness and economy receiving a low priority. The focus on welfare is lost for another reason too. While the administrative machinery assumed monopolistic character for many services there was no corresponding increase in its sense of accountability. Corruption increased. Collusion took place between self-serving bureaucrats and beneficiaries who were not interested in meeting their part of the commitments such as repayment of loans given on low-interest and with a subsidy component. All this had inadvertently contributed to a growing feeling that government expenditure on social welfare is a drain on scarce public resources.

On the economic front, welfarism resulted in the proliferation of public sector organisations. It is now too well known that the bulk of the public sector organisations ended up as inefficient, uneconomical, unproductive and over-staffed agencies. Many of the public sector organisations over-emphasised their social objectives and functions, and consequently neglected the economic tasks they were expected to perform. Their so-called social objectives have come to be equated with the pampering of the trade union leaders and workers with benefits, unrelated to the performance of the respective organisations. Unnecessary jobs were created and filled to please the political elites and accommodate their supporters. Surplus manpower has become a widespread tendency. With political support for an outmoded ideology, the public sector flourished even though it has become notorious for its inefficiency, accumulating heavy losses. The net result is that the public sector became a white elephant. Thus, both social welfare and economic development objectives were pursued by the welfare state in developing countries at an exorbitant cost; the resources for this came from tax-payer's money or loans. Due to the preoccupation of the welfare state with welfarism basic regulatory functions such as law and order and control of crime were neglected.

Since maintenance of law and order took a back seat, the turbulence of socio-economic problems extracted a very heavy price from the police machinery. Consequently, the legitimacy and authority of the state is being questioned. Welfare functions cannot overwhelm the law and order function. The state has in fact weakened because it is unable to enforce its writ.

### III

Notwithstanding stringent criticisms levelled against the welfare state, there exists the need for some kind of social and economic protection, through state intervention, to the socially and economically deprived sections of the population. The criticisms mentioned above are not against the values the welfare state professes or the objectives it seeks to achieve. They are directed against the policies and methods adopted by the government towards achieving the welfare objectives and lack of evaluation of them. A modern state cannot afford to throw away its welfare role; it is, however, compelled to narrow its scope and sharpen its focus for increased effectiveness. The shift in its role is also due to economic reasons, and more recently, an outcome of reflections on lessons from the collapse of socialism in communist-totalitarian countries. The collapse of ideological totalitarianism indicates the failure of the policies and methods adopted by these countries with the explicit objective of achieving welfare goals. In comparison, the western democracies achieved greater success in welfarism (in terms of better living conditions for its citizens) without giving grand labels to their policies. The difference between the two is that while one did not attach any social stigma to the generation of economic wealth outside state hegemony and control, the welfare state did.

The objectives of welfarism in developing countries did not yield the expected results because of (a) faulty assumptions about human nature; (b) untested beliefs/ideology about the creation of economic wealth and the manner of its distribution, and a condescending attitude towards the very economic process which creates wealth; and (c) the failure to understand the limitations of government administration and its capacity for objectivity, efficiency and effectiveness. The last point on administrative organisation needs some elaboration. It is time to reflect on the chaotic situation in the erstwhile communist - totalitarian

countries. One of the reasons for the collapse of socialist regimes in those countries is that the government organisations, with centralised decision - making, were not effective in their delivery systems. It was mainly the failure of government organisations in totalitarian countries that led to disillusionment with the very system leading to its eventual collapse. Revelations about inefficiency and corruption in the administration came out like the confessions of a sinner once the system collapsed.

One of the most interesting observations made on the crisis of the welfare state is that it prospered when the economy was sound and stable and it was also the first to suffer when economic crisis (by way of recession, unemployment or inflation) was experienced.<sup>4</sup> What ought to have been the other way round did not occur. Extension of welfare benefits to the needy is a must in a crisis, but if the economy is sound and stable 'the needy' are not really in need of welfare benefits. The fact that this did not take place only proves that generation of more economic wealth is an indispensable prerequisite for welfarism on a large scale. The future of the welfare state lies in the pursuit of the policies of economic liberalization that enables the private sector to take up responsibility for generating wealth, minimizing the role of the state in economic matters and evolving cost-effective approaches for the distribution of welfare benefits to the needy. It is also necessary to restrict the scope and focus of welfarism and also impose a time-frame (fixed period) with regard to eligibility of beneficiaries for welfare support. Within a fixed time period the individual is expected to be self-reliant, making welfarism redundant. Such a perspective would enable the welfare state to shed its unnecessary functions and devote time and attention to the more basic pressing functions such as maintenance of law and order and prevention of crime which go a long way in establishing the writ of the state.

#### NOTES

1. Bruce, Maurice., *The Coming of the Welfare State*, B.T. Batsford, London, 1961, p. 293.
2. Spiro, S.E. and E. Yuchtman-Yaar (Eds.), *Evaluating the Welfare State - Social and Political Perspectives*, Academic Press, New York, 1983, p.1.
3. For a detailed study see Brown, Archie and Jack, Gray, *Political Culture and Political Change in Communist States*, Holmes and Mein, New York, 1977.
4. Sherer, Moshe., "Welfare States : An Overview of Problems and prospects", in Friedman, R.R. (Ed.), *Modern Welfare States*, Wheatsheaf Books, Sussex, 1987, p. 293.