

# The Welfare State in the West

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The subject of this paper is the Welfare State in the West. It may be well, first of all, to indicate what the term Welfare State does not mean, in contemporary Western usage. The preamble of the Constitution of the United States, for instance, adopted one hundred and seventy years ago, includes the objective to 'promote the general welfare'. Indeed, it is not a distortion to say that the welfare of the people was the central objective and that all other objectives mentioned in the preamble derived importance through their contribution to welfare.

This idea—that the basic objective of government is the welfare of the people—had its origin in the Western world in the seventeenth and eighteenth centuries, and was expressed in the writings of many of the political philosophers of that period. Thus the broad notion that the State should serve the welfare of the people, instead of pursuing some different aim—such as the mere extension of its own power, as an end in itself, or the glorification of the monarch, or the fulfilment of a religious mission—is several centuries old. This long-established idea provides one possible meaning of the term "Welfare State", although this is not its meaning in the contemporary Western usage of the term. If I understand the matter correctly, however, this older meaning comes fairly close to the meaning which is sometimes given to the term in Pakistan. When the term "Welfare State" is used in this country, it sometimes seems to mean simply a State whose government seeks to promote the welfare of the people instead of exploiting them and whose public officials keep this objective continually in mind in their day-to-day dealings with the public.

This is not all that "Welfare State" means as this term is today used in Western countries. The concept of welfare which prevails today in the economically advanced, industrial countries of the West is quite different from what the British and French and American political theorists had in mind in the seventeenth and eighteenth centuries, because the specific content and meaning of "welfare" has vastly changed as the Western societies have become wealthy, urban and industrial.

The term "Welfare State," in its Western usage and, frequently, in its usage in Pakistan, refers to the sweeping economic and social transformation which has occurred in many Western countries, largely during the past thirty years, as the result of the extensive series of governmental welfare measures put into effect in this period. These measures, with which all of you are generally familiar, have been designed to reduce economic insecurity; to mitigate economic inequalities; to provide the less privileged members of the community with free or subsidized services such as better housing, greater educational opportunities and more adequate medical care. These measures have included social insurance plans, the use of fiscal and credit controls to maintain general economic stability and high employment, agricultural price supports and subsidies, minimum wage laws and much else.

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The aggregate effect of all these measures has been to create economic systems in many of the Western countries which can neither be described as private enterprise capitalism, nor as socialism. The phrase "Welfare State" has been coined to characterize this type of mixed economy, which diffuses widely among its people the benefits of high productivity and material abundance, and which provides a decent and secure minimum for all. The welfare state has developed farthest in the Scandinavian countries, Great Britain, Australia and New Zealand. It has proceeded somewhat less far in North America but the general trend has been the same.

Of course, welfare measures did not begin thirty years ago. Their history goes back into the nineteenth century. In Britain the first Factory Act was adopted in the 1830's, limiting the length of the working day for children under 14; general elementary education and literacy were largely achieved in the nineteenth century in a number of countries. Social insurance schemes were introduced in some countries in the late 19th century. But the scope of the welfare measures designed to improve and make secure the living standards of the less privileged members of the society has broadened so greatly in the past few decades that, taken all together, they have brought about a profound transformation in the economic and social system of most economically advanced Western countries. The countries which have experienced this transformation are today's 'Welfare States'.

There are two points which I wish to make about this transformation in the Western countries, because I think it is important that these points be understood here in Pakistan. The first point is that the major changes which are embodied in the phrase, "The Welfare State", did not arise out of a growing humanitarianism; they arose as the result of a process of political conflict. The basic source of the conflict, at the political level, was the institution of political democracy itself. It was universal suffrage, public education, the growing political articulateness of the masses, the strength of labor unions and of farm organisations and the competition between political parties to secure the support of the rank and file of voters, that made possible the series of measures that led to the Welfare State. If you examine the history of each one of these measures, you will usually find that it was adopted only after conflict between those groups, on the one hand, who considered that they would be benefited by the proposed measures, and those groups who felt that they would be injured by it. The political process, in other words, involved tension at each step.

To take one example, in the United States a law was passed in 1916 setting an eight-hour working day for railway workers. The eight-hour day was adopted first for railway workers because they were then the best organised large group of workers and they made their demands felt most strongly. The necessary legislation was passed with the representatives of the railway unions sitting as spectators in the galleries of the Congress with telegraph instruments on their laps, ready to signal a railway strike by mid-night if the law was not passed. This is, perhaps, an exceptionally dramatic example but it illustrates the general point.

After these measures were adopted, many of them gradually gained general acceptance; they came to be supported by a broad social consensus, apart from small intractable groups. I think one may say that as a result of the development of the Welfare State, there is in many Western countries a greater degree of social cohesiveness and integration than existed 25 or 50 years ago. If there is today a greater feeling of community in Western societies, which expresses itself in a general acceptance of the main features of the Welfare State, this greater feeling of community was a result, and not a cause. Each of the main welfare measures had its

birth in active political conflict; the social consensus came later. That is my first main point.

The next major point is that large scale, government programs for reducing the insecurity of livelihood, and providing a better and more secure standard of living for all the people are of fairly recent date and followed a prolonged period of substantial, cumulative growth of productivity in the economy. The earlier substantial improvement in living standards, which had occurred before the Welfare State emerged, had been the largely automatic result of the growing productivity of Western economies. In the earliest stage of industrial development, however, there was little or no improvement for the workers, and their condition was miserable. In the early stages of the industrial revolution the orthodox doctrine was that every shilling spent for relieving the misery of the poor was a shilling subtracted from the funds available for capital accumulation and economic development. This harsh doctrine remained the accepted orthodoxy until the latter part of the nineteenth century, and it contained an important element of truth in the early stages of Western industrial development.

Although this doctrine, modified and weakened, still exercises influence in some Western countries, it no longer holds the centre of the stage. It has lost ground generally, and in some countries it has been wholly submerged by the markedly different ideas and doctrines of the modern Welfare State. But it is important to stress that the modern theory of the Welfare State gained dominance only after a prolonged period of cumulative economic development had created the foundation for it. The Western Welfare State rests upon the material abundance made possible by high productivity. I think that there is some basis for the view that when the Welfare State finally emerged, the timing was such that it helped, rather than hindered, future economic growth; this would not have been true if it had been introduced at an early stage of Western economic development.

The timing of the emergence of the Welfare State in Western countries is an exceedingly important point to keep in mind. I need hardly say that the situation of the Western countries is not the situation of Pakistan today. An indiscriminate attempt to imitate Western welfare programs before the economic foundation has been created would make things worse rather than better in this country.

The general lesson, I would suggest, is that, for the most part, welfare programs in underdeveloped countries should be treated as one aspect of the general effort to increase productivity. I would suggest also that the same kind of change in organisation and administration which is required in this country to promote a broadly based increase in productivity and a self-sustaining process of economic growth is also required to carry out a workable welfare program. The two things go hand in hand and can reinforce each other. The development of a more effective organisation for carrying out feasible welfare programs would provide a better organisational framework for executing important, neglected economic programs and vice versa.

So far, in Pakistan, the economic development effort has been somewhat one-sided. It has been to a great extent concentrated on great Government projects and the development of a few large scale, private industries. In other words, it has been narrowly based. The result is that some serious imbalances have developed—an imbalance between the expanding urban, industrial and commercial sector and the lagging rural, agricultural sector. Too large a share of the country's scarcest resources has gone into big government projects and large scale industry; not enough has been applied to small scale industry and agriculture.

I have just read with interest and admiration the excellently written and well reasoned Report of the Panel of Economists on the Second Five Year Plan. I thought that the things that the Report had to say about priorities, about the need for improvements in organisation and administration to promote more advanced agricultural methods, foster small scale industries and "contain" the demands of the best organised and most energetic claimants for scarce resources, and about prices and government controls were wise and sound.

I hope that the program of development expenditure formulated and carried out in the Second Plan will be truly in keeping with these principles. Even in the framing of a program of development expenditure, it is extremely difficult to adhere to the stated principles of the Plan. There is a tendency to assign too large a share of the resources to those well organised and established sectors whose demands should be "contained," and too small a share to the unorganised or poorly organized sectors, on whose development future economic progress so largely depends. The figures given in the Report of the Economists on the composition of the expenditure program in the Second Five Year Plan make me wonder whether this distortion has not already crept in. At the stage of implementation and execution, the difficulties of avoiding distortion are even greater.

It seems fair to infer from the Report of the Panel of Economists, first, that the First Five Year Plan has been substantially implemented with respect to the total financial size of investment and development expenditure; second, that it has not been well implemented in the actual distribution of these expenditures among various sectors of the economy and, finally, that the recommendations have had very little influence in bringing about needed changes in administration and organisation and in general economic policies—apart from focusing attention on the need for land reform. The net result was that although financial expenditures closely approached the target figures, the increase in productivity and real income was extremely disappointing.

Perhaps the main difficulty is that when a Development Plan is published it is interpreted by most government officials and readers generally as, first and foremost, a program of development expenditure. This is thought of as the core of the Plan; the other recommendations are regarded as secondary or, at best, supportive.

If these mistakes are repeated either in the framing or in the implementation of the Second Plan, the results will again be disappointing. The lion's share of the resources would continue to flow into those areas which have received the largest share in the past. Instead of raising national income, this would tend merely to accentuate the existing imbalances.

Perhaps it would be helpful if the Second Plan were presented so that its central feature was a detailed program of recommended changes in organisation and administration and in policies of economic control, and if expenditure program were given merely a supportive role. This expenditure program should be wholly consistent with the Plan's basic principles. It is only through such a radical shift in emphasis that resources can flow adequately into those relatively neglected fields where their contribution to the growth of production will be high.

Unless the basis for economic development is broadened in this way, (and this requires more energetic measures than have been taken so far) it will not be possible to bring into more effective use the country's largest resources—its vast surplus of unemployed and under-employed labor. The most important welfare measures that can be taken, as well as the most important economic measures, are to be found

precisely in this area. There are some large scale and costly projects which, when completed, will raise the productivity of very large number of workers, so that the ratio of the number of workers favourably affected to the investment cost of the project will be big enough to justify the large cost. There are others, however, which lack such justifications. Generally speaking, better use of labor over a broad front requires much more than a few large and costly investment schemes. The program must be far broader than this.

With respect to urban welfare conditions, so long as there is vast rural unemployment and under-employment, it will remain relatively attractive for a young man to come to the city, even if he can get only intermittent and casual employment, picking up a few rupees a week through odd jobs of one sort or another. People will flow to the cities, continually outrunning the jobs and housing facilities. The attempt to solve the problem of urban congestion and distress by expanding urban housing and utilities, building a few large modern facilities that provide jobs to only a relatively small fraction of the working population, and extending urban welfare measures is bound to fail unless the problem is attacked at its roots in the rural areas. It requires, and I think this must be faced, the most radical transformation in organisation and administration, and an elastic revision of priorities, to bring these changes about. This must be the chief aim of an effective welfare and economic development program.