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The Public Good and the Welfare State in Africa

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ABSTRACT

The relationship between the public good and the welfare state is being re-examined in many industrialised and developing countries. One reason for this is the impact of the global economy on productivity, capital accumulation, unemployment, and social dislocation. This article examines how the global economy influences the public good by focusing on the incipient welfare systems in Africa. Particular emphasis is placed on the need for diversity in developing welfare programmes in Africa. This article identifies key components needed to develop a viable welfare state in a global economy.

Introduction

Most governments in the industrialised and developing world are caught in a double bind. On the one hand, they are expected to advance the 'public good' (ie, the larger social good) by providing basic social and economic services to the growing legions of poor and near-poor displaced by an increasingly competitive market economy. On the other hand, governments must appease diverse foreign and domestic business interests by promoting economic policies that enhance the pursuit of the 'private good' (ie, the individual rather than the social good). These fiscal policies include decreased levels of personal and corporate taxation, free trade, little governmental regulation, and the free movement of capital. Thus government is faced with an irreconcilable dilemma. On the one side is a population marked by rising social and economic expectations. On the other side is a business sector that demands economic freedom and enhanced profits. If government chooses to satisfy the demands of the population for social and economic security, including full employment, free health care, subsidised education, and universal social services, the required increase in taxes will likely discourage foreign and domestic investment. If, on the other hand, government capitulates to the interests of business, the resulting social instability will discourage capital investments. Government must therefore walk a tenuous line between appearing to simultaneously promote both the public and private good. This dilemma is exacerbated by the exigencies of the global economy.

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The Global Economy

The global economy (ie, the interlinking of corporate markets and large sums of capital on a worldwide basis) is marked by contradictory and divergent trends. Close to 75% of the world's population live in poorer nations, most in the Southern hemisphere. In many developing countries, life expectancy, child mortality, and educational attainment have all improved markedly in the past three decades. Yet, while incomes and consumption rose in developing countries by almost 70% between 1965 and 1985, almost 1 billion people in the developing world continue to live in poverty, struggling to survive on incomes of under \$400 a year. Although much of the world's economy improved in the 1980s, especially in South and East Asia, other countries in Latin America and in most of sub-Saharan Africa (a population of over 500 million) saw their real per capita incomes, living standards, and investments slip throughout the 1980s. Millions of Latin Americans now experience lower standards of living than in the 1970s, and most sub-Saharan Africans saw their living standards fall to levels not seen since the late 1960s (The World Bank, 1990).

It is important to examine the shifting centres of production in order to understand the full impact of the global marketplace. As recently as the middle 1960s, economies in developing nations primarily manufactured basic goods (eg, clothing, shoes, toys, and simple and inexpensive consumer electronics) requiring cheap labour and relatively simple technologies. However, by the 1970s, Japan, and the Four Little Tigers – Singapore, South Korea, Hong Kong and Taiwan (Midgley, 1988) – began exporting products calling for sophisticated and capital-intensive modes of production. Although second-tier industrial countries such as India, the Philippines, and China inherited the basic goods production of the industrialised Asian nations, they too were forced into adopting more sophisticated technologies. By the middle 1970s, Western nations began to experience the effects of this new economic competition as their manufacturing industries declined, their growth rates flattened, and their unemployment increased (Reich, 1987).

The operative term in global capitalism is "competitiveness", which often means reducing labour costs by corporate downsizing, large-scale redundancies, and expanding market control through corporate buy-outs. The reduction of labour costs is also realised by utilising a wide and inexpensive pool of global labour that produces virtually everything from data processing, legal and engineering services, and research and development, to basic goods production.

Labour policy is an important factor in the global economy. Multinational corporations demand a loose labour market – ie, high levels of unemployment – in order to bring down or stabilize wage rates. As part of this strategy, corporations

argue for loosening labour market controls while curbing the power of unions. This corporate strategy has resulted in diminished levels of employee security as the strength and numbers of trade unions have declined. In addition, shifting centres of production also requires a transformation in the nature of jobs created, including the development of a large secondary labour market (Friedrich, 1990). Thus, instead of achieving economic self-sufficiency, many low-paid workers in the burgeoning service sector are eligible for basic welfare benefits. This situation is exacerbated as corporations opt to cut costs further by replacing full-time employees with less expensive part-time workers, many of whom are ineligible for normal employment perks such as health and pension benefits. Taken together, these conditions provide fertile ground for a growing legion of low-wage workers in the secondary and tertiary labour sectors.

Instead of grappling with the root cause of this economic malaise – ie, stateless corporations who have little allegiance to a national economy – economists have devised ways to further enhance the power of corporations. In the 1980s, conservative economists outlined the requirements for success in the new global community:

- (1) a laissez-faire economic approach emphasising free trade and markets, no tariffs, and a commitment to the free movement of capital;
- (2) dramatic reductions in corporate and personal income taxes;
- (3) a decrease in governmental regulations and in the power of regulatory agencies;
- (4) privatising the economy by selling publicly-owned industries, utilities, and transportation systems;
- (5) reducing the role of government in the marketplace, including slashing or eliminating public employment programmes; and
- (6) decreasing welfare benefits by instituting major cuts in social entitlement programmes (Rabushka & Hanke, 1989).

The global economy has also led to other subtle changes. For one, the global marketplace has resulted in a shifting concept of the public good. Instead of viewing the common good as a set of fiscal and social policies that elevate everyone equally, it is assumed *a priori* that as the well-being of the business and corporate sector is enhanced, the overall well-being of the population will follow. This conservative definition of the common good results in redefining the public good downward, thereby allowing corporations to exercise more freedom in flexing their competitive muscle. In effect, conservative advocates of the global economy have simply revived the old adage that *"what's good for business is good for the public"*. Hence, the public is led to believe that the pecuniary interests of the few is ultimately good for the pecuniary interests of the many.

There are, however, other important consequences of this economic ploy. For one, as the public good is redefined solely in terms of individual self-aggrandisement, the glue binding society begins to disintegrate. Sacrifice, hard work, deferred consumption, altruism, and other necessary ingredients for real economic development become subordinated to short-term economic goals. As such, long-term economic development is mortgaged in return for short-term economic gains. The interest on this economic mortgage is designed to come due in future generations.

Secondly, as the public good is transformed into the private good, issues of public safety become paramount for a population increasingly fearful of public spaces. One example of this is the increased privatisation of public spaces; that is, the substitution of free public space for more highly restricted private spaces. For example, as private exercise salons increasingly replace parks as venues for exercise, guarded shopping malls displace downtown centres as preferred shopping areas, secured car parks substitute for on-street parking, and exclusive private schools replace public schools as centres for social integration – the remaining public spaces become dangerous since they are inhabited mainly by those who cannot afford private, protected spaces. Public spaces therefore become hazardous places to negotiate rather than places to enjoy. Even one's immediate environment becomes increasingly protected and solitary as concrete walls replace hedges and locked gates replace picket fences. The primacy of the private over the public good is reinforced as society digs in for escalating social conflict.

The Effects of the Global Economy on the Welfare State

The redefinition of the public good downward has important consequences for welfare state programmes. For one, the substitution of the private for the public good has led to diminished levels of support for the welfare state, especially among the emerging middle classes who are growing accustomed to meeting their social and economic needs (eg, health care, education, pensions, etc) in the private marketplace. Secondly, as welfare programmes move from institutional to residual-based services – ie, from universal to means-tested services – the middle class have little impetus to support programmes from which they receive few benefits. When narrow self-interest becomes the currency of the realm, little incentive exists for sympathy toward those less fortunate, especially when it translates into higher taxes.

The untoward economic trends experienced by most Western nations since the 1970s has precipitated a crisis in developed and developing welfare economies. To survive in the competitive global economy, corporations and government are

compelled to increase efficiency, which leads to economic restructuring, including plant shutdowns and other forms of industrial reorganisation. For their part, these governments are forced to bolster the position of domestic industries by freeing-up investment capital through freezing or lowering corporate and/or personal tax rates. This subsequent revenue loss leads to staggering levels of governmental debt, a reduction in social services, a deterioration in the public infrastructure, and myriad social and economic problems. For example, the cumulative US federal debt (excluding the debts incurred by individual states) in 1995 totalled over \$5 trillion (about 90% of the GDP), proportionately the same as the Zimbabwean national debt. In response to these high levels of debt, Western governments are increasingly recommodifying (shifting human services from public utilities to private needs expected to be met in the marketplace) public services and welfare state functions (Esping-Andersen, 1990). This occurs by downsizing public utilities through "load-shifting" more human needs into the private marketplace. In the end, huge governmental debts incurred by most Western industrial nations makes broad new fiscal-based social welfare programmes almost inconceivable in the near future, regardless of emerging social problems. The constriction of the governmental sector in industrialised countries also makes the prospects for increased aid to developing countries seem highly unlikely in the near future.

The overall effects of the global economy on welfare programmes are complex. For one, it has led to the scaling-back or dismantling of welfare institutions. Secondly, rapid immersion into the global economy has led to policies such as highly restrictive labour laws, the discontinuation of governmental subsidies for housing and food, an increased tolerance for high levels of unemployment, corporate and upper-income tax cuts (often countered by increased VAT, sales taxes, or special levies which disproportionately affect the poor), and excessive inflation resulting from currency deregulation. All told, these measures have enhanced the private good at the expense of the public good.

Governmental capitulation to the global economy has also fostered the privatisation of social life on several different levels, including the receipt of social welfare benefits, lowered levels of governmental assistance to communities, and reframing the social discourse away from public problems to private problems and private solutions. The push toward competitiveness in the global economy (and the resulting changes in the concept of the public good) has hastened the move toward an overwhelmingly residual form of social welfare that is means-tested, sparse in its benefits, and highly stigmatised.

While the fiscal dilemma generated by the global economy is acutely felt by industrialised nations, its effects are more sharply felt in developing economies where ageing and undercapitalised industries find it difficult to compete against modern industrial technologies. While Western welfare states are contracting

under the pressures of the global economy, African nations are finding it difficult to finance even basic welfare services. Although fiscal prudence dictates that African nations cannot afford the conventional approaches to social welfare employed by industrialised nations, few alternative models exist for developing a humane and efficient welfare state that enhances national competitiveness.

Rethinking Social Welfare in Africa

Attempts to develop a viable welfare system in an Africa beset by various forms of economic restructuring – usually mandated by international financial institutions such as the International Monetary Fund (IMF) and the World Bank – must be based on certain economic and social realities. Firstly, the rising expectations of an increasingly impoverished population must be addressed. Specifically, any belief that the new market economy will immediately fulfil the promise of good health care, decent housing, and economic security in sickness and old age must be tempered by economic realities. Secondly, it is unrealistic to expect the global economy – at least as it is presently structured – to lend itself to the creation of full employment in most parts of Africa. High unemployment rates have been endemic to most Western nations since the late 1970s. While capital-rich countries such as Britain, France, and the United States have compensated somewhat for this phenomenon by devising aggressive unemployment assistance programmes, the capital-poor nations of Africa are hardpressed to institute unemployment compensation programmes that are able to cover forty percent or more of the population. Moreover, the ability to idle a large portion of the work force through welfare or unemployment benefits is based on high levels of productivity achieved by employed workers and a large and relatively well-off population that can absorb high rates of taxation. Both of these preconditions for a comprehensive unemployment compensation system are absent in most African nations.

Thirdly, many of the jobs being created in the global economy are in the low-paying service or secondary labour sector. Thus, securing a full-time job in the global economy does not guarantee that an African family will experience economic security. The same calculus is true in industrialised nations. For example, 30% of jobs performed by Americans in 1990 were in-person service jobs that required little education and training, usually paid low wages, and provided scanty employment benefits. During the 1980s, well over three million new jobs were created in the United States in fastfood outlets, restaurants, and bars. This was more than the total number of jobs in the automobile, steelmaking, and textile industries combined (Karger & Stoesz, 1994). In short, it is likely that the new global economy will not provide the number or quality of jobs needed to lift a large percentage of Africans into a Western middle-class lifestyle.

Despite these limitations, African social planners can construct a viable welfare system that maximises human capital, promotes rather than hampers a developing economy, and is congruent with the demands of an increasingly competitive global marketplace. To partially counteract the damaging features inherent in the global economy, this welfare system must be grounded in the advancement of the overall public good. As such, the public good must be defined as those policies which positively enhance the quality of life for all members of society. Values such as productivity, reciprocity, familial responsibility, social cohesion, and social choice are benchmarks around which future thinking about social welfare policy in Africa can be organised. The following represents a sketch of these values:

Reciprocity

Some research studies suggest that welfare programmes can contribute to dependency when benefits are not based on reciprocity (ie, a standard of conduct expected of recipients) (Gotschalk, 1990; Hill & O'Neill, 1990; Corcoran, et al, 1990). The concept of reciprocity (the social obligation to conform to key social values such as the work ethic, sobriety, and a stable domestic life) should be included in any viable welfare plan. This is especially true since the promotion of the public good requires a certain level of social conformity from all classes. Any new thinking on social welfare must include a social contract in which reciprocity has a prominent place.

Productivity

It is essential that any welfare plan demonstrates how it will positively contribute to economic productivity. Although policy-makers have long recognised that the expansion of social welfare requires a robust economy, nowhere have they integrated welfare programmes fully within national economic requirements. When the dominance of Western industrial economies went unchallenged, little reason existed to fashion economically productive welfare programmes. Although generally seen as affordable, welfare programmes were nevertheless viewed as draining national resources rather than being a tool for increasing the national wealth. However, the emergence of a highly competitive global economy has created the need to more fully exploit the productive capacity of the workforce. This is especially true in industrialised nations where productivity is generally lower than in the West. To successfully compete in the new global economy, policy-makers must create welfare programmes that complement productivity rather than encourage dependency. In effect, social programmes, investments in human capital, and community activities must be developed that contribute to the economic vitality of a nation. This will not require the creation of "make-work"

jobs, but disciplined employment that builds the national infrastructure such as communication centres, schools, roads, railways, airports, housing stock, and so forth. To gain widespread public support, welfare programmes must effectively demonstrate that they can contribute to the advancement of the public good.

Familial Responsibility

Both industrial and developing nations must discard the idea of the State as the "rescuer of first resort." A viable welfare system must utilise the existing network of formal and informal systems that bind an individual to their community and family. This includes utilising extant social structures such as churches, schools, civic associations, labour unions, clubs, tribal organisations, indigenous spiritual movements, etc. In addition, this strategy must include the transformation of family and social networks into welfare-related support systems. As part of encouraging familial responsibility, welfare programmes must stress the responsibility of biological parents toward the well-being of their offspring. This includes enforcing paternity laws, compelling fathers to financially support children born within and outside of marital unions, and developing governmental policies that encourage intact families. Part of this can also include tax incentives for intact families and the creation of local employment opportunities that allow fathers to remain in rural areas. Clearly, both economic development and the public good are fostered by creating strong, intact families that provide nurturance and financial support for children and family members.

Social Cohesion

Social policies must be developed that promote the increased interaction between the mainstream population, ethnic and tribal groups, and the newly emerging middle classes. As such, the public good can only be advanced by creating a collective social entity in which diverse groups understand their interdependence with each other. Moreover, the promotion of the public good cannot be accomplished without a form of social integration that narrows the gap between the urban newly-rich, the rural population, industrial workers, the merchant class, and the declassed *nomenklatura*. Meeting the challenge of social integration will be crucial if increasing tensions between ethnic, tribal, and linguistic groups are to be managed. In addition, all socioeconomic groups should be encouraged, through economic incentives or appeals to altruism, to fulfil their social obligation toward those less-fortunate in more meaningful ways than simply paying taxes. Public policy must reinforce social integration.

Organised around the principle of the common good, the civic mindedness of both the poor and the better-off are essential to the democratic restructuring of a free society.

Social Choice

In most welfare states, clients have little choice but to seek services in bureaucratic and unresponsive governmental agencies. By enforcing this social welfare monopoly, government presumes that clients are unable to make wise decisions about their needs. Consistent with the democratic nature of society, recipients must be given a range of social choices similar to those available to their better-off compatriots. Implementing this kind of social choice can occur through managed competition whereby various forms of social services are privatised (ie, delivered by private non- or for-profit corporations or social agencies), including health care, education, elderly care, and even community centres (Stoesz & Karger, 1992). In the end, the public good is advanced as the population learns to make well-reasoned choices regarding the best way to meet their social welfare needs.

Social choice invariably leads to the privatisation of social services. It also fits comfortably within the framework of the global economy. In its simplest form, privatising welfare services involves shifting governmental welfare activities into private hands and into the marketplace. Privatisation can be viewed either as simply another mechanism for conducting public business or as a theory of political and administrative economy committed to reducing governmental responsibility for the provision of social welfare services (Gummer, 1988; Carol, 1987). Proponents of the former view argue that a need exists to accommodate a plurality of modes of provision in the social service system (Johnson, 1987; Kamerman, 1983; Terrel, 1987). In their view, a plurality of service provision is preferable to an exclusive system of public provision. Politically, however, privatisation has become a conservative alternative to the liberal social policies of industrial countries like the US, Britain, and Canada (LeGrand & Robinson, 1985).

The current debate around the privatisation of social services has only limited relevance for developing nations. Specifically, this debate assumes the *a priori* existence of a ready and mature private welfare sector capable of relieving some of the welfare burden from government. However, the existence of a strong for-profit privatised social service sector depends on a well-capitalised economic sector that is aggressively searching out new investment opportunities. These investment groups usually emerge only in highly developed economies where lucrative investment opportunities are rapidly drying up. Furthermore, a for-profit sector usually occurs in nations where the social welfare system is underwritten by a long-standing public commitment to providing social services. These preconditions are absent in most of Africa.

While in the near-future most African nations will still not have accumulated the necessary capital to finance a robust, privatised for- or non-profit social service sector, there are intermediate steps that can encourage this growth. For example,

given the shortage of private capital in Africa, the initial funding for a privatised social welfare sector will have to come from government. Even so, the way in which capital is routed to social services can affect the structure of those services. If government wishes quasi-privatised social services, funding and responsibility for those services can be channelled through an NGO (non-governmental organisation) rather than a governmental bureaucracy. NGOs can take several forms, including privately-run social welfare agencies that deliver services on contract to the government. These agencies would be responsible for delivering social services to specific target populations and would receive all or most of their funding from government. NGOs can also be public or public/private agencies, with directors being appointed by government. Alternatively, NGOs can take the form of for- or non-profit private social agencies that are accountable to government only for the per capita delivery of social services. Lastly, government can allow a portion of the total or per capita funding for NGOs to be used for capital accumulation. In this way, African governments can promote the development, albeit slow, of a privatised or semi-privatised social service sector without a massive and immediate infusion of capital.

Creatively developed strategies designed to promote productivity, familial responsibility, social cohesion, and social choice can serve as the core principles by which developing welfare systems are organised. While some of these values have been championed by conservative policy-makers, little reason exists as to why they cannot be used to achieve progressive ends. The challenge to African welfare planners is to integrate these values into public policy in ways that illustrate how social programmes can contribute to both the public good and the economic life of a nation.

Conclusion

Most African nations are facing both difficult obstacles and unlimited possibilities. For many policy-makers in these countries the central question is "*What follows socialism?*" (Konopasek, 1992). The answer to this question involves how a nation redefines the idea of the public good in the context of the global economy. Under scientific socialism, wrestling with the idea of a common good was not especially problematic. Advancing the common good simply meant devising policies that aided the masses (however broadly and vaguely the "masses" were defined). The current, and perhaps knottier problem, is how to define the public good in a global economy driven by self-aggrandisement and populated by stateless corporations. In this scenario, the only real buffer between the violence of unregulated self-interest and the maintenance of civil society is the welfare state. How the public good is translated into a compassionate and cost-effective welfare programme is

the task facing African social planners. This task, however, is made more difficult since the shortage of capital precludes the possibility of the wholesale reproduction of a Western European-style welfare state.

To be sure, African nations can develop new means to redefine the common good in ways that are economically feasible, promote the national well-being, and are congruent with the new realities of an increasingly competitive global economy. Such a system would augment the national wealth by more effectively managing and directing human capital. It would also increase the economic competitiveness of African nations by employing people to build an infrastructure rather than paying benefits to idle a portion of the population. This welfare system would reinforce the importance of work, even within a compassionate benefit structure. Moreover, this welfare system would encourage social cohesion by helping to engineer a mixing of the newly-emerging classes. Lastly, this new welfare structure would encourage diversity and competition within the welfare state by allowing recipients an element of social choice among competing agencies. To devise such a system will require bold new thinking and bold new policy initiatives. Developing a social welfare system that encourages economic productivity while simultaneously addressing the social and economic needs of vulnerable populations will not only promote the public good, but it will create long-term benefits through the equitable redistribution of resources. Despite the pronouncements of conservative economists, the promotion of the public good is not antithetical to competing effectively in the new global economy.

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