AT THE CROSS ROADS: WHITHER SOCIAL POLICY?

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The state-centric model of development has moved to the centre stage in India and many other developing countries. At the same time, the alleged shortcomings and uneven distribution of benefits resulting from state or government intervention have increased the pressure to consider alternative routes to development via privatisation and market-oriented mechanisms.

This essay introduces both sides of the debate on the state-centric model versus market approaches. The future direction of social policies will be influenced by the way in which the questions raised in the debates are addressed and resolved.

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Introduction

The modern concept of the nation-state has now begun to dominate the public realm. In a preponderant number of more than one hundred and sixty nation-states that comprises international society today, the state now has greater presence and prominence than ever before in policy formulation and development. Virtually every sphere of life is under the jurisdiction or domination of the state in newly independent nations, today generally denominated as "developing countries". Viewing the Indian scene, for instance, Ashis Nandy observed that "The most prominent feature of the Indian political culture in recent years has been the emergence of the nation-state as the hegemonic actor in the public realm".[1]

The state is often perceived as a force that can alter economic distribution within the society. The growing political activism of India's various social groups, as well as the increased grass-roots mobilization of various segments of civil society, have been a "natural" result of the prevailing belief that the Indian state has an important economic and redistributive role. From the very privileged to the downtrodden, everyone wants more and everyone hopes and expects that the state will provide it. The question, however, is: can the state continue to meet the escalating demands? The answer to the question remains open. Developing countries that have relied on the state-centric model of development have a record of accomplishment that some find inspiring, others disheartening. India has been a remarkable example of an open society in which, since the early years of independence, the political elites have deliberately chosen to see national development as the prime responsibility of the state. The state, guided by Nehru's socialist vision, took on itself the responsibility for transforming the economy. Even more ambitious, it sought to deliver new services - education, public health, social services, community development - to half a million villages. Throughout India's post-independence history its sensitive minds have demonstrated their ability to come to grips with the most complex and awesome issues facing the country. India has also gained recognition as the world's largest and vibrant democracy. This is one side of India's face, whereas the other side is not so pretty. Despite free India's resilience and impressive achievements on many fronts, its chronic problems persist and show no signs of abating. Mass poverty, malnutrition, urban congestion, ecological devastation, environmental degradation, and large scale illiteracy are some of the intractable problems that undermine the nation's confidence in its own progress. To this woeful list must now be added other problems - insurgency in border states, subnationalist passions, and internecine warfare between and among religious groups. There is no escape from the fact that these manifestations of India's deep-seated problems serve to spread despair and cynicism about the institutions that sustain Indian democracy and about the democratic process itself. Rajni Kothari provides a critical analysis and interpretation of the mutation of the Indian state from an instrument of social transformation to an instrument of coercion, terror, misinformation, and distortion of the democratic process.[2]

What, then, are the prospects for the continuation of the state-centric model in the decade of the '90s and beyond?

Debate has been heating up in India and other parts of the world on the appropriateness or effectiveness of state intervention as a strategy for promoting economic growth and advancing social justice. This debate is a subscript of the larger issue of state-society relationships[3] and the related issue of the appropriateness or effectiveness of command economies, centrally planned economies, mixed economies, or market economies as strategies for the social and economic development of modern nation-states.

To begin an in-depth exploration of the phenomenon of development, and the social policy implications thereof, state or government intervention has been chosen as the overarching theme and seminal concern of this Focus Issue on Social Policy.

The Debate

Advocates of state intervention love to pose as pragmatisms and realists. Markets are not perfect, they argue. If they were, they could perhaps be relied upon to allocate resources efficiently and equitably. But everybody knows they are not, so governments have to step in to remedy the imperfections or externalities caused by the market. Although democratic capitalism in Western nations uses the market system to satisfy the desires of those possessing adequate resources, it often does so with little regard for those with inadequate resources or for preserving the environment for future generations. Developing countries in Asia and Africa have apparently found it more problematic to use the market system with respect to providing basic health and education services, alleviating poverty and homelessness, and meeting a variety of other basic human needs.

State domination is reputedly a common characteristic of most Third World countries. Such domination is justified on the belief that national economic policy and state control are crucial instruments for shaping the destiny of their countries, according to national norms. In India, for example, ever since it attained independence, the basis of social policy development and instruments for its implementation, were influenced by a strong perception that there was pervasive market failure in the Indian system and, that, the solution lay in frequent and decisive government intervention. The effectiveness of this interventionist approach was adjudged favourably by protagonists of state intervention.

Critics, on the other side of the debate, argue that the result of government intervention is usually a disaster. Though policy makers and programme administrators frequently rationalise their advocacy of state intervention in the name of the poor, the backward and the downtrodden, the real reason lies in the enormous power that they wield and the patronage they can dispense, if the state remains strongly interventionist. The experience of developed and developing countries alike is that intervention breeds intervention. Typically, additional interventions are called for to deal with the difficulties caused by earlier interventions. Then, further interventions would be needed to sort out the mess surprisingly caused by those interventions, and so on. As a result of the unwillingness or inability to break this vicious cycle, the government in some countries became such a suffocating monster that the private and voluntary sectors went almost completely underground, or else virtually expired. As one Latin American joke has it, "The economy grows at night while the government is sleeping". [4]

Developing countries continued to claim that they could escape poverty by central planning and government intervention. Yet, distracting circumstances mounted and, in many developing countries, the resources, available for development thinned and expectations diminished. Many, though not all, of the poor countries became poorer still. Thus, the attempt to eliminate market failure by government intervention led to another type of failure—government failure. And, unsurprisingly, the combined effect of these twin failures had a corrosive and damaging effect on both economic growth and redistributive justice.

For the world's poor countries, this past decade has been a cruel disappointment. Hobbled by indebtedness or by other economic, political, or social crises, most of them have seen their growth rates slow, and many have seen living standards, that were already pitifully low, fall even further. The pain, almost surely, has been concentrated particularly on the poorer, disadvantaged groups. In consequence, there appears to be a growing consensus, cross-nationally and across political parties and forums of public opinion, that the centralized and bureaucratic environment cannot deliver the goods and less, at any rate, cannot bring the fruits of development to the poor and deprived sections, or even prevent their own resources being drained away by corporate interests or elite groups. It has been suggested, therefore, that many Third World democracies, including India, could benefit from a "rational" policy shift towards lesser state controls and a more open and competitive economy. Some commentators have gone a step further to suggest most forcefully that, faced with a rapidly changing world, India and other developing countries will have to drastically reorient their social and economic policies; and that the challenges that lie ahead can best be met by disbanding the public sector and relying more on the private sector.

This unresolved debate between the proponents and opponents of government intervention has left many developing countries at the crossroads. The question that they seem to confront is whether they should rely on imperfect markets or imperfect governments. Both markets and governments seem unsteady and the future direction of social policy seems more unsettled than before.

This introductory essay is designed to open up, more fully, the larger theoretical and empirical debate on the future direction of social policies, by focusing analysis on the key institutions of modern nation-states. The questions that confront us are readily identified: Is state intervention necessary in the management, governance or developmerit of a nation-state? To what extent is state intervention warranted in the social and economic environment of the 1990s and beyond? Does such intervention inhibit or interfere with the propensity of the market for self-regulation and economic growth?

These questions are not new, but they have resurfaced in the changed context of a globalized world economy. In one way or another, all the articles featured in this issue centre around the focal concern of the role and responsibility of the nation-state in organizing, controlling, and directing social and economic development.

Paradigmatic Viewpoints

Important differences of viewpoint have emerged among prominent policy makers and policy analysts about the national strategies best suited for advancing economic growth and equitable distribution in the difficult global adjustment climate of the 1990s. Among the most prominent of the current approaches, two stand out: the liberal and conservative paradigms. The Keynesian or neo-Keynesian paradigms that gained ascedancy over nearly fifty years, have slowly yielded to revisionist views now referred to in popular parlance as Thatcherism or Reaganomics. [5]

Proponents of the "new orthodoxy" - the so called conservatives and neo conservatives - have extolled the virtues of the marketplace and built their political support by opposing governmental structures. Putting old wine in new bottles, the new orthodoxy is unabashedly pro-market and anti-statist. Its main thesis is a strategy of economic revitalisation which would strengthen the private sector and which, in turn, would assume increasing responsibility for bolstering the supply of goods and services. It thus carries forward, with redoubled vigour the liberalizing, pro-market strains that have been gaining momentum throughout the world in recent times.

In tune with this view, is the idea currently in vogue, that governments can do almost nothing right. But as fads go, this one has been stretched to the limit with assertions in some quarters that government itself is the main obstacle to development, and that it is, in fact, a part of the problem rather than a part of the solution. Mindful of the limits of government in promoting economic development and social well-being, the new orthodoxy is emphatic in advocating the privatisation of all services (including social services) and curbing the growth of public goods.

Even state-dominated regimes in the Soviet Union and Eastern Europe have come under pressure to embrace privatization as an antidote to declining productivity and resultant shortages in consumer goods. Developing countries have also recently been under strong pressure to privatise state-owned or state-controlled enterprises as a means of curbing inefficiency, improving productivity, and creating a climate for innovation. Several Third World countries have moved in this direction.

The private sector has become involved in spheres as varied as commercial aviation, telecommunications, postal services, power, etc. - formerly the preserve of governments and state-owned enterprises. Extrapolating from this trend, the International Finance Corporation (IFC), an affiliate of the World Bank, has forecast an increased role for private sector in all developing countries in the years ahead.

The movement towards privatisation has gained ground as allegations are made that direct or indirect subsidisation of public goods have performed little or no distributive role towards improving equity. In fact, it is even alleged that they have often had either unintended adverse consequences or proved to be counter productive. Currently, there is a pervasive feeling among many development theorists and strategists that somehow development has "failed" and, that, the results have gone awry — a feeling reinforced at the extremes, by food and environmental problems and by the debt crises of many, if not all, of the developing countries.

Some of the prominent leaders in developing countries, including India, have become disillusioned by the lack of visible results in poverty alleviation and redistributive justice, even after substantial investments of capital and human resources by their governments. In consequence, some of these leaders who, at an earlier time, were ardent or fervent advocates of state intervention, have now become increasingly sceptical of expending government revenues on social programmes, without tangible results. This cynicism is reflected in terms like "bottomless bucket" that have appeared with increasing frequency in political forums.

In contrast to the foregoing viewpoint, other mainstream analysts, falling into the so-called liberal camp, are persuaded by the substantial progress that many developing countries have achieved since they became independent. They recognize that progress as measured by modernisation, social upgradation, and economic self-sufficiency would never have happened without governmental initiative or forward looking public development policies. They insist, therefore, that there is no substitute for the continuing lead that governments must supply to development promotion efforts.

Proponents of this view are less than awed by the magic of the market. They argue that, privatisation of public sector undertakings in developing countries, does not offer "across the board" solutions. Indeed, in some instances, public enterprises are needed to perform a crucial function in strategic industries, or, to provide urgently needed services. There is also a continued need in poor countries for massive, restructuring interventions by government within a framework of comprehensive economic and social planning.

In western capitalist or free market economies, as contrasted with command economies and other state-dominated or centralised regimes, prolonged periods of steady economic growth laid the basis for the expansion of welfare states. Bipartisan support for the welfare state reflected the emergence of a broad-based consensus in Parliamentary and Congressional bodies. The welfare state, in turn, helped defuse class conflict by establishing a minimum floor of economic security for the working class. The resultant social stability, and the strengthened social fabric, were used as indices for the success of the social policies embodied in the welfare state.

As architects of the welfare state, liberal advocates build their arguments upon the active or affirmative role of government in promoting equity and social welfare. They draw upon empirical data to point to the imperfections of the marketplace, its inability to trickle down the benefits of an affluent society, and the polarities of income distribution resulting in the perpetuation of the underclass. Their raison d'etre for state intervention is equitabledistribution and social justice, rather than simply economic growth or economic self-sufficiency.

The old and the new paradigms co-exist, each with its own adherents. The ideas of some others are more heterodox, but they are essentially variants or offshoots of these two dominant paradigms of social and economic policy. The two paradigms are antithetical in their fundamental assumptions and belief systems, yet, they have often proved to be synergistic. Both these paradigmatic viewpoints, when carried to their logical extreme, can be discredited, as indeed they have been by the so-called radicalists.

This leads us to ask several pointed questions: What is a useful social policy stance for the future ? Should we be leaning more towards one paradigm than over the other ? Shall we be adopting a middle ground position that avoids the extremes of the" arch-typical conservative and liberal viewpoints ? Is there an alternative paradigm, if so, what are its building blocks? Are there some special valuable lessons for India gleaned from the experiences of other countries— be they capitalist, communist, socialist or social democratic ?

These are not questions that are easily answered, yet they need to be addressed in the context of values that we uphold and cherish in the social work profession. The role of social work in shaping and implementing social policies must be carried out with greater deliberation and foresight than hitherto.

Social Policy

Social Policy is an interstitial domain of inquiry in the disciplines of economics, history, philosophy, political science, and sociology. As an interdiscipline, it draws upon a body of knowledge that is vast and variegated. In recent years, there has been a rekindling of interest in social policy analyses and there has been an upsurge of writings in this vein. Increasingly, policy makers have sought the advice of policy analysts in designing and shaping the real world policy agenda.

The definition of social policy adopted here is somewhat broad and inclusive, to encompass the kinds of choices that a society makes in allocating the resources that it has at its command to meet agreed-upon human needs. These choices are usually troublesome and difficult, as it is assumed that resources are limited or scarce, relative to needs that are often insatiable or elastic, plus the difficulty of establishing national or subnational consensus on the importance of one need as against another. Who is to make these choices ? What is the calculus for making these choices? Although answers to these questions are murky, the fact remains that choices have to be made and allocative mechanisms established, which sometimes result in new or novel social inventions. The design and development of these linkage mechanisms between resources and needs is what we commonly refer to as social policy.

As societies evolve and develop over time, they begin to uncover or discover significant gaps or shortcomings in their conventional modes of need resolution. This is because needs change or multiply, new needs emerge, or needs become converted to rights or entitlements. Resources may not increase or expand in proportion to the volume or magnitude of needs. The resultant policy struggle is to create the best balance between resources and needs.

Simple as it may seem, the creation of an optimal or even desired mix between resources and needs is seldom easy or straight-forward. It does not lend itself readily to econometric analysis; and subjective judgements are involved in disentangling value-laden considerations. As pointed out earlier, there are significant ideological cleavages and differences in world view among policy makers, policy analysts, and relevant actors in interest groups or constituencies. While these differences in the world view and value orientations are inevitable, and perhaps, even healthy in societies that aspire to be democratic, secular and multi-cultural, it also makes it difficult to work towards a modicum of consensus or shared agreement on desired goats, as well as the means for accomplishing them. In consequence, what we have witnessed is a great deal of acrimonious debate in professional and political circles about "who gets what?" and "who benefits?" The orchestration of different value positions and theoretical viewpoints on the role and responsibilities of nation-states in improving the quality of life for all citizens, is becoming increasingly difficult.

This leads us to ask, once again, several pointed questions: How do we reconcile the discordant views of a pluralistic and multi-cultural society? What framework or scheme do we use for weighing the trade-offs of one set of social policies against another? How best are resources to be allocated? Answers to these questions are influenced, presumably, by the theoretical and value lenses that policy actors use in resolving large-scale national concerns.

Resource Allocation

Policy makers have three clearly differentiated channels available to them for the purpose of resources allocation and service delivery: public sector, private sector, and voluntary sector. The *public* sector includes the provision of goods and services directly by central, state or local government agencies. The *private* sector includes all proprietary for-profit organisations whose production of goods and services are financed largely from their own profits or surpluses, supplemented at times with government subvention, subsidies, or tax incentives. The *voluntary* sector refers to goods and services provided by not-for-profit organisations (also called non-government organisations), which are financed either entirely by philanthropic or charitable contributions and endowments, or supplemented by government grants or purchase of service contracts.

In command economies, such as in the Soviet Union and Eastern Europe, the public sector assumes primacy and the level of government intervention is reputedly high. In centrally planned economies, such as in socialist democracies, the level of government intervention is high, but there is some scope for private and voluntary sectors to play a supportive role. In mixed economies, such as in Western Europe, the level of government intervention is moderated by the co-mingling of public, private, and voluntary sectors in varying proportions. In market economies, such as in capitalist democracies, the level of government intervention is predictably low with a policy framework that leads through market mechanisms to efficient resources allocation and utilisation. Whether private and voluntary sectors are permitted to flourish or smother are integrally related to the prevailing political outlook and development philosophy. Thus, the level of government intervention and the level of utilization of relevant sectors, are inter-related with the political economy of each of the nation-states.

The availability of resources to be channeled through one or more sectors is influenced by fiscal, social and monetary policies. If taxes are increased, for example, revenues are high and more resources are available for allocation or distribution, if, on the other hand, taxes are cut, then resources are reduced and proportionately less resources are available for utilisation by the public sector. Whether the system of taxation will be progressive or regressive also has a vital bearing on the availability of resources. These are "bread and butter" issues affecting the pocket books and life styles of the citizenry, hence such choices are sensitive to the predispositions and vagaries of the electorate.

The a *priori* assumption that resources are scarce or limited is valid only upto an extent. In spite of the apparent need for budget austerity, the fact is that policy makers today have a degree of latitude and freedom in shifting priorities, rearranging resources, and stimulating revenue enhancement or augmentation. Provisions and programmes that emanate from social policy are usually seen as a drain on resources, as users of the benefits categorized as "clients" are seen as consuming resources rather than producing them (the free ride problem, as it is sometimes called in welfare economies). If it can be documented or demonstrated that social policies are investments that ultimately result in resources production, then we have a more congenial climate for social policy development.

The allocation of resources is very much related to the issue of the nature and extent of needs, as well as their political appeal. There are basic needs that are common to all or larger segments of the population; there are needs targeted to a particular group or population entity; and there are needs that are more unique or idiosyncratic to specific individuals or families. Thus, there are different kinds of needs clamouring for recognition and attention. Establishing priorities among competing needs for the purpose of resources allocation is, itself, a time consuming political process.

A quintessential policy agenda is, therefore, the articulation between resource allocation and need determination. The following matrix suggests the decision points that confront policy makers:

Needs Versus Resources

TYPES OF NEED	RESOURCE ALLOCATION CHANNELS		
	Public sector	Private sector	Voluntary sector
Basic Needs			
Target Needs			
Unique Needs			

The Zero Sum Game

Policy makers have tended to gravitate towards zero-sum games in arriving at social policy choices. This means simply that competing priorities are resolved by eliminating one group in favour of another that wields, perhaps, more substantial political influence. The choice of this strategy results in winners and losers, a process that leads to the empowerment of one group and the disenfranchisement of another.

Although an element of the zero-sum game theoretical model is inevitable in policy decisions, it is conceivable that strategies can be devised to create beneficiaries among different categories or segments of the population with divergent needs and circumstances. As policy choices usually involve trade-offs and compromises an incremental strategy can be devised to benefit a broad cross-section of the population, thus culminating in more winners than losers.

Whither Social Policy ?

The preceding analytical overview is intended to sharpen the debate on competing viewpoints in social policy formulation and development, to activate further research, and to serve as a source of reflection on the questions that initiated this inquiry. What are the goals of state intervention? What are the strategies for attainment of these goals? What are the "trade-offs" between goals and means? Both technology and methodology are involved in finding answers to these questions.

This synoptic overview on social and economic policy making initiates analysis and exploration by juxtaposing two paradigmatic viewpoints, seemingly in opposition with each other. The clash of orthodoxies among the old and the new groups is evident. In the final analysis, however, it may not be an "either-or" choice involving either total affirmation or total rejection of state intervention. Caution should be exercised in any attempt to pigeonhole specific individuals into one of the categories. It is quite often the case that an individual would flow with one doctrinal current on a given policy issue, and ride with another on other issues. However, public policies of one sort or another will always remain an important subset of social policies in most nation-states. Hence, the role of state intervention, in an absolute sense, is to an extent self-evident. However, other elusive questions remain with us: How much state intervention? Towards what ends?

The 'Focus Issue' invites our readers to reflect on the views and experiences that are expressed in this special edition. Cross-national analyses are especially valuable in this regard, provided we recognize that caution should be exercised in treating both developed and developing countries as a broadly homogeneous group. The experience of India in national development during its post-independent years offers a rich laboratory. An indepth examination of the Indian experience through successive cycles of five years plans has to be carried out in theoretically fruitful ways to yield new hypotheses, generate additional empirical research, and suggest alternative paradigms more suited to the ethos and culture of Indian society.

NOTES

1. Ashis Nandy, 'The Political Culture of the Indian State,' in *Daedalus,* Journal of the American Academy of Arts and Sciences, Fall 1989, Vol. 118, Number 4, p.1.

2. Rajni Kothari, *State Against Democracy: In Search of Humane Governance,* Ajanta Publications. See also, Rajni Kothari, *Rethinking Development: In Search of Humane Alternatives,* Ajanta Publications.

3. For an analysis of various aspects of mutual interaction between society and the Indian State, see: Atul Kohli (ed.), *India's Democracy: An Analysis of Changing State-Society Relations,* Princeton, New Jersey: Princeton University Press, 1988.

4. For an excellent and more extended discussion along these lines, see:" Third World Survey: Poor Man's Burden", *The Economist,* September 23, 1989, pp.1-58.

5. An excellent dialogue somewhat along these lines is brought together in John P. Lewis and Valeriana Kallab (Editors), *Development Strategies Reconsidered,* New Jersey: Transaction Books, 986.