

The Social Welfare State in Crisis (July 27, 1981)

Abstract

This article from *Spiegel* notes that declining economic growth was making West Germany's welfare system less and less viable. Nevertheless, politicians were unwilling to do anything about the situation; they continued to provide their constituencies with additional benefits, which they defended as necessary for preserving social peace.

Source

The Heroes Have No Ideas

Bonn's Debt Managers Have to Save: The Welfare State Can No Longer Be Financed

[...]

The Bonn growth politicians are at a loss, seeing themselves in a situation that has long been prophesied by critics of a Federal Republic that has become a highly developed distribution democracy. The state's means of boosting the economy are exhausted, the demands placed on the public budgets are too high, and an all-healing economic upswing with growth rates like those in the golden 1950s and 1960s is nowhere in sight.

There has been no lack of warning signs. Not only imaginative critics of growth, but economists of the classical school, as well, already warned years ago against chasing after the growth rates of the 1950s and 1960s.

There is a whole series of reasons why the dynamism of the postwar decades cannot be carried over into the next millennium. There was the need to make up for lost time in the postwar period. Housing construction, the auto industry, the production of other durable consumer goods, and demand by the state kept the economy speeding along. Reconstruction took place not only in Germany but all over the world—and the Federal Republic played a special role in the upswing of world trade.

The break came at the latest with the first oil crisis in 1973–74. Many people started to realize then for the first time that mass prosperity had been created with raw materials and energy sources that had been available for a pittance; that the industrial regions of Europe, Japan, and North America were reaching their natural limits; and that in a finite world nothing could grow infinitely, not even the gross national product, which has been elevated to the status of a fetish.

But instead of adjusting to a future with lower growth rates, instead of readjusting the economy and society to a new pitch, the crisis managers in Bonn tried to counteract the inevitable by increasing expenditures. Since 1975 alone, public financiers spent about 150 billion marks trying to stimulate the economy—most of the funds came not from tax revenue but loans.

[...]

Changes in the social welfare system, even cuts, seem possible only with extraordinary political exertion. The followers of the Bonn Social Democrats, in particular, are quick to label changes as sociopolitical injustice.

That kind of comment comes from people who overlook the fact that for years the state neglected to

reform a system that financed adventurous distribution injustices at outrageous expense.

[...]

The political elite in the Federal Republic believes that its own position—like the democratic system as a whole—is best secured if the state that it runs keeps on handing out checks. It is important to protect “the social peace,” claim the defenders of the Federal Republic’s distribution democracy. With that, they imply that cuts to social benefits—even those benefits that can hardly be justified—would lead the people to lose trust in the state, which would be serious and ultimately could even lead to the end of the democratic order.

Time and again, Chancellor Helmut Schmidt invokes the idea that Western industrial countries are essentially ungovernable and suggests that people are only well-disposed towards democracy if the state satisfies their excessive demands: the polity as “a kind of joint-stock company in which one has a stake and whose valuation is based on the dividends that are paid out,” according to Peter Grubbe in his “Report on the German Civic Spirit.”

If the dividends stop coming, if the company takes a loss, then the Ruhr area supposedly starts burning, the civil servants’ revolt, and democracy cannot be saved. Is this timidity or the democrats’ more acute sense of reality?

It remains indisputable that the stability of a political system largely depends on the material provisions and the social protections it can offer. This is true for democracies and dictatorships of every political stripe.

It is up for dispute, however, whether the political order of the Federal Republic can only endure in the future if the best-earning parents of an only child still get 50 marks child allowance per month, if civil servants can still get state-financed benefits due to an absurd regulation on absenteeism, and if mothers on maternity leave can spend time with their newborns due to state maintenance.

[...]

Source: “Die Helden sind ohne Ideen”, *Der Spiegel*, 31/1981, July 26, 1981, pp. 30–42. Available online at: <https://www.spiegel.de/politik/die-helden-sind-ohne-ideen-a-b72ad28c-0002-0001-0000-000014331831>. Republished with permission.

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