

# The welfare state in the realities of the twenty-first century: general trends and specifics of Republic of Moldova

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**Abstract.** *Modern society is currently facing some serious challenges, environmental changes, changes in priorities and development opportunities that require a theoretical rethinking of the social mission of the state and drive the search for effective methods of implementing this mission given the national specificities.*

*The state SOCIALISATION is a perspective direction of reforming the governmental system of the Republic of Moldova. The increasing role of the social state is extremely important in the context of the current realities: the high distrust towards a state that expresses the interests of the oligarchic structures, pessimism about the future, the colossal stratification of the society, poor living conditions of a large part of the population and mass migration.*

**Keywords:** *social state, a welfare state, social policy, crisis, living standard, government system reform.*

Under the conditions of increased instability and unpredictability of the modern world, the failure in the mechanism of self-regulation of the social systems becomes apparent, according to the scientific studies, including the theory of catastrophes, as well as the experiences of various world countries. An efficient state regulation of the socio-economic processes is a mandatory condition for overcoming the crisis conditions, “closing” of the undesirable bifurcations and accelerating the rehabilitation of the socio-economic system.

Effective development policies of the modern states can be created based on their “mission”. Along with the general trends, it is important to consider country's specific development features, including the legal institutions under the conditions of transition. In the context of the “transition” management, the following aspects of statism are of special interest: priorities of the modern state; civilized market relations between the state and the business environment; the social responsibility of the state; public policy instruments and adjustment methods.

In the view of the multifaceted and changeable (in time and space) activities of the state, the concept of *statehood* is historically “given”. The evolution of the theoretical views on state's mission has developed in accordance with the society dialectics and its purpose. The following characteristics of the state were popular in different historical periods:

- “night watchman” that protects private property and maintains public order (Classical Liberalist School);
- “absolute” controller of all business processes, monopolising all the available resources and the public produce (Marxism);
- stabilising force, able to correct the lack of balance in the market system by manipulating the aggregate demand through policies (Keynesianism);
- referee, defining the “game rules” and the players’ (economic agents) compliance with them (Ordoliberalism);
- institute, whose activities are determined by the “market failures” [1].

In the framework of the institutionalist mainstream, the following approach received a wide recognition: the state is examined from the perspective of its “specific exchange” with the population. Thus, the state is behaving similarly to a “contracted” organization, to which, citizens delegate some of their rights in order to efficiently solve a number of problems. *“Politics is a structure of complex exchange among individuals, a structure within which persons seek to secure collectively their own privately defined objectives that cannot be efficiently secured through simple market exchanges. In the absence of individual interest, there is no interest. In the market, individuals exchange apples for oranges; in politics, individuals exchange agreed-on shares in contributions toward the costs of that which is commonly desired, from the services of the local fire station to that of the judge”* [2].

In the middle of the 20<sup>th</sup> century in Western Europe, the concept of the *social state* emerged. Under different versions, the *welfare state* is legalised in the constitutions of many countries. This concept reflected the society's disappointment with the liberal theory and became the revival ideology of the of post-war society. However, the term “welfare state” was proposed much earlier, in the 50's of 19<sup>th</sup> century, by L. von Stein, who believed that the welfare state *“is required to contribute to the economic and social progress of all its citizens, since, ultimately, the development of the former represents the prerequisite for the development of the latter.”* [3].

Thanks to the research works of the leading representatives of the German economic and sociological thought from the second quarter of the 20<sup>th</sup> century (the newest school of the liberalist mainstream – the “Freiburg School”) the theory of the welfare state was subjected to further development and received its economic grounding – the “social market economy”. According to the author of this concept – Alfred Müller-Armack, the main goal of the state authorities is the establishment of a triangle between economic growth, personal freedoms and social equilibrium, covering the entire range of social services, from the provision of full employment to individual social assistance [4]. The new order is meant to the rely

on the “competitive market system” and a special social policy should align and correct the operation of the market. The social policy of the state is subjected to the principle of social compensation, including the progressive taxation of people with high income and the redistribution of these funds to the poorer layers of the society, the development of a broad system of social insurance and of the social infrastructure.

The concept of a socially oriented economy, aiming at freedom and justice, ensuring well-being for everyone, has been successfully implemented by the German Chancellor Ludwig Erhard, the founder of the “German economic miracle”. According to L. Erhard, the key elements of the hierarchically-ordered social system with a high level of citizen welfare are: a genuine market economy, a structure of the society in which all layers of the population have a mass purchasing power; state's obligation to ensure that all workers have permanent wage increases in line with the increase in productivity; the development of a social partnership between businesses and their employees, overcoming of the hostility between the rich and the poor by assuring everyone's prosperity and social protection. The efficient reformation of the Federal Republic of Germany in a fairly short period of time made it possible to overcome the crisis, achieve political and economic stability, implement the social security system and attain a high level of welfare.

The formation of a state that would be able to provide a decent standard of living for its citizens, in different forms and with different degrees of success, on the basis of a socially oriented market economy, democracy and the rule of law, was actively carried out in many countries in the post-war period. The principles of government's social security policy were confirmed in such authoritative international documents as the Universal Declaration of Human Rights, European Social Charter and The European Code of Social Security.

With all the varieties of national welfare states, without going into the intricacies of their classification, there were identified 3 basic

types, which differ in the size of social benefits, the right to receive them, sources of financing.

- *Anglo-Saxon type* (Anglo-American), based on the principles of neo-liberalism. This approach assumes that the social needs of the individual/family are more successfully satisfied with the purchase of necessary services in the market. The state performs a minimal role in the field of welfare, ensures the legality and protects the most vulnerable layers of the population. This type of state is characterised by a low level of social security provided by the state, minimal state obligations – at the level of an individual’s living wage, strong stratification of the society; governmental regulation of the markets. This type of state also represents a model of “social assistance”, in the view of the low decommodification effect (off-market security).
- *German type* (Franco-German), based on a conservative-corporatist approach. It is called *conservative* because the social services support the traditional social and family values and *corporatist* because it involves cooperation with the private sector and the independent public organisations. This type of state is characterised by a focus on economic and social stability; high decommodification (off-market security); pronounced stratification of society; massive and financially secured middle class; state intervention through the direct provision of financial support and the regulation of the markets. The state where social services depend directly on the actions and efforts made in the market is also considered to be a model of “compulsory social security”.
- *Swedish type* (Scandinavian), reflecting the social-democratic approach. The characteristics of this type are high decommodification, weak stratification of the society; government intervention in the form of direct financial support, significant redistribution of the income through progressive taxation system. The social expenses of the state are higher by comparison to the German model, and especially, compared to the Anglo-Saxon one. This model is characterised by an egalitarian

regime, ideas of equality and solidarity, a high level of quality of and accessibility to the social services. Therefore, this model is known as a “solidarity model”.

Of course, the mentioned “triad” of types of welfare state reflects a fairly conventional distinction. In reality, the social policy of any state is unique and original, combining elements of different models and being a reflection of the state’s development priorities, its economic potential and its population’s needs.

The welfare states were also affected by the challenges of the 20<sup>th</sup> and 21<sup>st</sup> centuries. In a context characterised by the intensification of the integration and globalisation processes, worsening of the environmental and demographic problems, the emergence of the information and communication systems and an increase in the role of the human capital, the government’s duties become considerably more difficult to perform.

At the *international level*, these duties reside in assuring the protection of national interests (assuring national security and increasing country’s competitiveness, optimising the degree of “openness” of the economy), while at the *national level* they reside in improving the coordination mechanism of the socio-economic development (by involving market, corporate and international levers), assuring a sustainable development of the society, enhancing population’s quality of life.

In the modern theory and practice of state regulation, the focus is placed on the qualitative parameters of the functioning of state bodies corresponding to the nature of a strong and efficient state, instead of the traditional quantitative issues. Herewith, country’s power is lawfully examined from the perspective of:

- the effectiveness of the system of enforcement and administration;
- the precise outline of its institutional boundaries (functions, values, relationships with non-governmental institutions).

The making of a strong state is only possible in the presence of several premises: the consolidation of the branches of power in the

interests of country's security and development; the achievement of a social consensus and of a constructive partnership with non-governmental institutions; the introduction of a rational system of centralized management that would contribute to the efficient use of resources and the increase in population's living standards.

Under conditions of a deteriorating economy, even the most prosperous countries find it difficult to provide decent social protection and to maintain a high standard of living. The question of the need to dismantle the welfare state and to reduce its responsibilities is often raised in this context. In addition to the establishment of a "consumerist society" many people manifest such negative symptoms as the reduction of motivation, the pursuit the social dependency. Unrestrained mass consumption, in accordance with the standards established in developed countries, leads to a rapid depletion of the world's resources and to environment's pollution. The crisis of 2007-2009 has clearly demonstrated the "no-go" of the model of social development based on wasteful consumption.

The current critical situation forces one to rethink the nature and mechanism of the government intervention, including its intervention in solving social problems. In the previous decades, the social policy carried out in the framework of the welfare state, traditionally covered the healthcare and educational systems as well as the provision of housing and of social insurance. In the modern society, the range of problems related to the application of the social policy has expanded, with the addition issues related to the areas of demography, family, social mobility, migration, public order, and environment.

Moreover, in the view of the "imperative of competitiveness", the governmental policy should aim to create favourable conditions for citizens from the perspective of the growth in national competitiveness.

In recent years, due to the expansion of welfare problems themselves and the need to reduce the social obligations of the state, the interest in the activities of civil institutions of self-organization becomes more pronounced. This third sector is increasingly activated as a

state partner in the implementation of social policy programs. We would like to note that this sector covers the totality of the non-profit organisations functioning in the country, whose development is supported mainly through charitable donations. In different countries, these organisations are known as *public, non-governmental* or *non-profit, charitable, voluntary*. Their work contributes to increasing people's personal responsibility for the quality of life and to citizens' active participation in the implementation of social services. In many countries, civil society organisations are successfully engaged in the works of the local government, educational and medical systems, provide social support and protection, social rehabilitation and a range of consulting services.

In transitioning societies, the *state*, being the generator and coordinator of the transformations and undergoing its own modification, inevitably acquires a dual role being both the *subject* and *the object* of the reforms.

In the field of social coordination, the main object of government regulation is represented by the formal institutions as well as the structures and the organisations regulating the behaviour of the social subjects. In developing of the latter, the main difficulty resides in finding a "compromise solution" that would assure a social equilibrium based on an equilibrium of interests.

During a quarter of a century of sovereignty, Moldova's transformation into a democratic and lawful state capable of assuring a high level of social protection to its citizens, unfortunately, did not take place. As a result of the seizure of power and property by several groups of individuals, the Republic of Moldova has been subjected to the establishment of a "clan capitalism". The system of governmental power represents an oligarchic regime – this is the recent conclusion of the authoritative EU representatives.

In fact, Moldova's politics has become a business for the oligarchs who have cynically become rich at the expense of their fellow citizens. The slogan of "European Integration" used by the state powers, represents, in fact, a

speculative mantra that masks the grim reality: many years of political conflicts, systemic corruption, stealing of foreign aid and credits worth millions, low standard of living. In fact, the country is experiencing a protracted systemic crisis, which caused serious shortcomings in the process of market reforms, the weakness of state institutions (courts, prosecutors, law enforcement authorities), the dominance of oligarchic interests.

The National economy is “stalling”. The country’s GDP has not even reached the pre-transition level while both the internal and external national debts are increasing. The “theft of the century” - the extraction through offshore companies of a billion dollars (12% of Moldovan GDP!) from the country’s banking system has generated a financial collapse: a growing “hole” in the state’s budget, an unprecedented devaluation of the national currency, a further deepening of the recession.

The total debt of the Republic of Moldova in terms of state securities has already exceeded the maximum acceptable level almost 1.5 times, reaching 106% of the GDP in 2016. Comparing the total debt of Moldova by the end of May 2016 with the same period of 2015, one can notice that it has grown by 18.6%, amounting to MDL 35.6 billion [5].

The population of the country is bound to pay the repercussions of the bank fraud that has been used to enrich certain individuals and their companies, for many years. The state has already issued bonds in the amount of more than MDL 13.57 billion, with an interest rate of 5% per annum for a period of 25 years. In fact, the main burden for the return of stolen assets will fall on taxpayers and the general public. The World Bank makes the most depressing forecasts for Moldova expecting a further decline in the living standards and the growth of poverty. Today Moldova holds the last position in the ranking of European countries in terms of life quality. Population poverty is far beyond limits.

Therefore, a radical reformation of the system of power aiming to achieve state’s genuine sovereignty, national security and economic revival is a matter of great urgency. Only a non-corrupt government would be capable of stopping the genocide of Moldova’s population and to fully carry out its functions as well as to constructively collaborate with both the private sector and the non-governmental organisations in order to address the stringent social issues.

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