

## Rethinking the Welfare State in Global Economy Affected by Pandemic Crisis

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### Abstract

*The coronavirus crisis has highlighted the flaws in European Welfare States, which can spur their renewal and reinforcement after decades of cuts and privatisation. This pandemic has allowed us to rethink the importance of Welfare State, but also to consider health and well-being as a key driver of new development.*

*The purpose of this paper is to highlight the role of the Welfare State in the new social and economic context caused by the pandemic and to show the inability of the private health care system to cope with the extremely large number of patients.*

**Key words:** Welfare State, Crisis, COVID-19, pandemic

**J.E.L. classification:** I31, I38

### 1. Introduction

In this paper, we identify the importance of the Welfare State in the economies of all countries, as a result of the need to act urgently and effectively, in the fight against coronavirus. The inability of the private health care system to cope with a serious pandemic, such as the one we are going through today, calls for urgent state intervention to support all citizens.

Before the onset of this crisis, the trend was towards liberalization and limitation of State spending and intervention. With the return of the role of the State to face the consequences of the economic crisis, linked to the coronavirus and with the victory of the Social Democrats in the elections in Germany, the question of the reinforcement of the Welfare State is addressed. The rule of the famous 3% deficit of the GDP in the Member States of the European Union, a decision taken to face the economic crisis linked to the health crisis of Covid-19, is a proof that we expect a return of Welfare State to Europe.

### 2. Theoretical background

States have intervened in support of the people since ancient times, the pre-Christian period, when mankind faced famine, war, various natural disasters. If we are referring to written laws on state involvement in order to provide welfare to the population, then we must remember about The Poor Law of 1601 in England and the introduction of the social security model during Chancellor Bismarck's time, in Germany, in the 1880's.

World War II was the culmination of the most violent and destructive period in modern European history. European countries have implemented all necessary measures to increase the well-being of the population and to limit the negative consequences of capitalism on the economies of these countries. As John Ruggie noted after World War II, political forces "took control of the state in an attempt to impose social control over market forces," establishing "legitimate social purposes in the exercise of which state power was intended to be engaged in the domestic economy". Thus, the countries no longer aimed only at economic development, but also at protecting the people. The expression "Welfare State" was established in 1942, with the appearance of the "Beveridge Report."

In other words, the "good" state was no longer considered the state that had only the status of guardian and was not involved in the economy, but the state that defends the interests of the people and is involved in economic activity.

In Europe, Welfare State appeared and expanded, first in the UK with the important reforms introduced after WWII by the Labor Party. Many European countries have adopted the Welfare State, which even represents the heart of European social model. State involvement is currently being achieved in many areas, from social protection to education and health. (Lucchese and Pianta, 2020).

Very few studies have been conducted on the subject proposed in this paper. O'Donoghue C., Sologon, D.M. and Kyzyma I., in "Novel Welfare State Responses in Times of Crises: COVID-19 Crisis vs. the Great Recession", analyze the impact of social measures taken in Ireland after the recession and during the pandemic. Tzagkarakis, S., Pappas, I., and Kritas, D. in "Covid-19 has Brought Back the Necessity of the Welfare State: The Greek Case" examine how the Welfare State in Greece intervened during the pandemic and the implications of this intervention on the economy and the population.

### **3. Research methodology**

We use the analysis as a research method, regarding the studies carried out so far on the implications of the measures adopted by the state in the field of health, during the pandemic. We also call for a comparative analysis, between the efficiency of the public health system and the private one.

The main objective of our qualitative research is to understand the growing role of the Welfare State in the new conditions caused by the pandemic. This method helps us in explaining the analyzed phenomenon. Is an observation-based research method that we used to understand a phenomenon in depth without using numerical data for it.

### **4. The need for reinforcement of Welfare State**

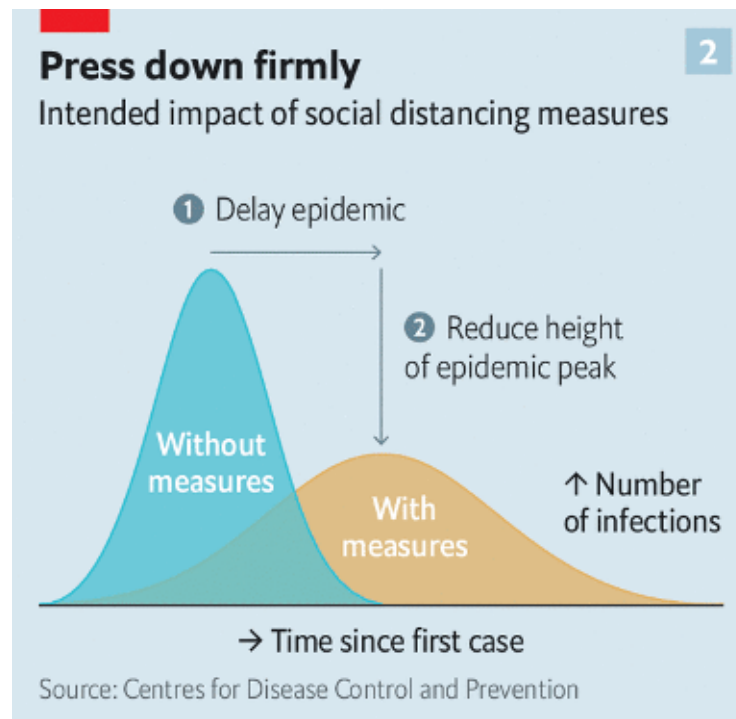
The collapse in our economic system, revealed by the tragedy of the coronavirus, is unfortunately simple: if an infected person is able to infect several others in a few days and if the disease has a significant lethality, as is the case with Covid-19, no economic production system can survive without a powerful public service.

Impossible to maintain the anthropological fiction of individualism of the neoliberal economy and the policies of dismantling the public service: the negative externality induced by the virus radically challenges the imagination of the start-up nation shaped by the voluntarism of atomized autoentrepreneurs.

One person's health depends on everyone's health! We are all beings of interdependent relationships. Without an efficient public service that allows everyone to be treated, there is no longer a viable capitalist productive system in times of coronavirus. And, therefore, no more in the decades to come. There is a need for the "reinforcement of the Welfare State".

It is useful to come back to this graph: without protective measures, the "peak" of cases of serious infections (in red) exceeds the horizontal line of reception capacities of the hospital system; with protective measures, the "smoothing" of the curve (blue) keeps it below the line:

Figure no. 1 Intended impact of social distancing measures



The Economist

Source: The Economist, <https://www.economist.com/briefing/2020/02/29/covid-19-is-now-in-50-countries-and-things-will-get-worse>

Two types of public intervention can be delimited with the help of this graph and, through them, two conceptions of the State. What distinguishes them is their relationship to the horizontal line, that does not fall from the sky: it is the result of public health policies carried out over the preceding decades: the capacity of public hospital system.

The neoliberal state, captured by the private interests of a few, regards the horizontal curve as a "natural", intangible. It does not have "magic money" to finance its hospitals, increase their reception capacity, save lives. It then only has to try to act on the only red curve, by practicing, or not, various variants of confinement. Eventually, he wasted public money in search of a hypothetical "zero" patient, an impossible task when several hundred thousand people are already infected.

The Welfare State, a state that cares about its citizens, is the one that not only tries to smooth the infection curve, but which acts on the horizontal line, invests in its public hospital, buys respiratory assistance machines and frees public funds to set up urgently "rural" intensive care services. It is imperative that the Welfare State return. Is the only way to save "the productive tool" but, above all, to save lives!

## 5. The need for rethink Welfare State

Undoubtedly, the public health system has the most important role in managing the situation created by the coronavirus. As Stiglitz (2020) explained, "When we are faced with a crisis such as an epidemic or a hurricane, we turn to the government because we know that such events require collective action". The reason why the public health system is so important during this period is closely related to the fact that it is based not on market logic, profit making, but on providing the best medical services to all people without discrimination.

Since the 1980s, neoliberal measures have reduced the role of the Welfare State, through privatizations and public budget deficits, with direct effects on hospital activity. Hospitals have reduced their capacity and lost the efficiency and universality of the medical services provided to the population. This created a corridor for the establishment of private, luxurious and profitable hospitals, which determined that the social services in the field of health to be offered on a market close to the goods market in terms of functionality. The belief that the free market is the only one able to provide efficiency has led to the limitation of public health services.

However, the crisis we are going through has shown the great mistake that has been made in approaching and supporting the public health system. It has proved impossible to provide prompt treatment to all coronavirus-infected patients in hospital emergency rooms. The private health care system is unable to cope with the pandemic. The only system that can offer solutions to the current pandemic is the public one, being a universal system, free or much cheaper than the private one, coordinated, with good specialists.

The Welfare State has, more than ever, an important role to play in supporting people around the world through social and health measures, to limit the spread of coronavirus, help treat patients and support all those affected by the crisis.

The Welfare State should be the core of a new model of economic and social progress and environmental sustainability (Lucchese and Pianta, 2020). The role of the Welfare State in all countries should be strengthened in order to ensure all necessary measures for sustainable economic development, an increase in living standards and a rapid and efficient approach and solution to pandemics.

## 6. Conclusions

All public policies must be rethought so that at their center is the assurance of human health. This can only be done by strengthening the role of the Welfare State. The inability of the private health care system to cope with the pandemic has only proved to us the need for state involvement in the efficient provision of social services, the need to expand spending on health and the protection of people. In addition to the current pandemic, there are serious health problems facing humanity. Pollution-related illnesses and deaths, linked to the poor quality of the environment represents problems that more and more countries are facing. The "deaths of despair" are an important social problem in many countries, including United States, people are affected in large numbers due to suicide, alcohol, opioid and drug use (Deaton & Case, 2020; Baldwin, 2020).

People's health and well-being should be the focus of decision-makers at the state level, regardless of the area. No country, regardless of its degree of development, can stop a pandemic, just as no human being, no matter how many resources it has, cannot save itself from a relentless disease. The solution comes only through the involvement of the state, through the increase of expenditures and investments in the field of health, social protection, research, education and environmental protection. By involving each of us. By understanding that human health is more important than anything else.

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