The Welfare Queens

It was in the mid-1970s that Ronald Reagan began to promote, as part of his presidential run, the derogatory term of *Welfare Queens*. Referring to people of color (particularly women) who lived entirely on government handouts, he used the term to tap into American sensitivities towards welfare fraud and the general misuse of public funds. Because of American racial tensions, as well as national attitudes towards the welfare state, the term caught on quickly and was deployed to stigmatize welfare recipients in a society with a comparatively weak safety net. Yet at the same time that the term “welfare queen” was being channeled for political purposes, Reagan also helped usher in an era of “corporate welfare,” in which the state gave generous incentives, tax cuts, and de facto subsidies to wealthy corporations that didn’t even necessarily need government assistance (but merely enjoyed the boost). The mentality of Reaganism lingered on well after the president’s death, and was perhaps best encapsulated by the "too big to fail" notion that emerged in the 2008 global financial crisis (GFC).

In that instance, large banks that had deliberately amassed toxic assets were given the corporate welfare of blank cheques for recapitalization, even though they were at the root of the systemic financial risk through highly unproductive and speculative activities. This led to a striking sense of injustice in the American psyche: on the one hand, poor colored folk were being stigmatized as “welfare queens,” even though the amounts they required were for survival and were comparatively small in dollar terms; and on the other hand, devil-may-care corporations were being bailed out to the tune of hundreds of billions of dollars for irresponsible management practices. In the years since the 2008 GFC, this two-tier treatment has been captured by the protest slogan of “socialism for the rich, capitalism for the poor,” and the vilification of the deserving poor is regularly contrasted with the doting of the undeserving rich in populist narratives, particularly after the US stimulus during the Covid-19 pandemic (which is much larger than that of 2008) has disproportionately benefited large corporations (and the stock markets) instead of the working poor, many of whom are now struggling to earn a living wage.

There is a lesson to be drawn from this welfare queen legacy of Reagan and its repercussions in recent crises, particularly when we look at Pakistan’s largest safety-net program: the Benazir Income Support Fund (BISP). The BISP was created as an unconditional income cash transfer program in 2008, and was intended for the most destitute elements of society, transferring roughly 2000 Rupees (roughly $13 USD) per month to more than 5 million households through the womenfolk of the household. Yet according to a rigorous audit by the Auditor-General of Pakistan (AGP) for the fiscal year 2020-21, a vast scope of welfare fraud, to the tune of Rs. 23 billion, has been going on in this crucial social-protection program. The audit states that 55,383 government employees, pensioners and their families from Grade-1 to Grade-20 have continued to receive the stipend at regularized intervals in either their names or in that of their spouses. Out of this large number, 8,500 receive the transfers directly while nearly 46,000 receive them in their spouses' names. Some of these officers are quite senior, according to the AGP, with four judges receiving a total of Rs690,000 from the BISP, while eight officers of Grade-20 receiving Rs831,000 either directly or in their spouses' names, 61 officers of Grade-19 received Rs74 lakh, and and 83 officers of Grade-18 receiving more than Rs1 crore in total.

Although the BISP does not contest the fact that such welfare fraud has occurred, its spokesperson has said that the Federal Investigation Agency (FIA) has recovered over Rs181 million from 814 government employees with ranks of Grade-17 and higher, while Rs.6 lakh has been collected via other departments
from staff of Grade-16 or lower. The BISP has further stated that it has taken disciplinary action against 39 of its Grade-16 and Grade-17 officials and removed them from service after recovering Rs14 lakhs from them. This is where the parallel of welfare fraud can be drawn with the “socialism for the rich, capitalism for the poor.” The explicit intent of the BISP was to reach out to the most destitute households in society and enable them to receive a minimum transfer payment to survive. While that laudable work has continued, and has been vital during the Covid-19 pandemic, the notion that officials with steady pays, and sometimes of quite senior rank, were dipping into the welfare funds in a society that is already economically struggling should be a matter of outrage. Pakistan’s development expenditure is already weighed down by the scope of this program, but it is justified so long as it aids the most needy in society.

It is when such a mechanism is used to supplement the incomes of the comparatively privileged, the true “welfare queens” if there ever were any, that one sees an unjustified fiscal distortion emerge. The spouse of a bureaucrat receiving a BISP stipend is a more visceral embodiment of the welfare queen than anything Reaganism would have liked to disparage. A developing economy cannot stand for such malfeasance, even though it occurs at many levels and in many mechanisms across society. Strong accountability measures such as AGP audits help to remedy this governance gap to some degree, but one can go much further if one draws upon examples of transparency in well-functioning social democracies (such as Norway and Finland), where the entire ID list of BISP recipients would be a public document. This would have some dissuasive power over the poor, but they would justify the welfare transfer on an understandable needs-basis. The well-off outliers of welfare queens on the list, however, would be brought into more transparent fiscal oversight. The BISP is merely one example of well-intended mechanisms that can be misdirected towards the wrong recipients (at least in part). To remedy such mechanisms with greater transparency, oversight, and accountability will be an important step towards fuller fiscal democracy and the erasure of welfare queens as social entities.

Dr. Usman W. Chohan is the Director for Economics and National Affairs at the Centre for Aerospace and Security Studies (CASS). He can be reached at cass.thinkers@gmail.com.