

Transformations of the Welfare State in Algeria

Social Policies Tested by Economic and Developmental Crises⁽¹⁾

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Abstract: This study explores the relationship between transformations of the welfare state in Algeria and social constraints in the context of economic crisis. It investigates the historical and ideological contexts that led to the emergence of the welfare state and state capitalism as well as shifts in social policy in light of economic crises and the floundering of the development project. It also seeks to understand the nascent relationship between state and society and the concept of rents as the fundamental guiding factor in this relationship. This reading, supported by comparative data and statistics, will allow a better understanding of the current status of the welfare state and its implications in a context of widespread protest, driven by social resentments that have festered in recent years, largely due to state privatization and the excesses of the financial oligarchy.

The Welfare State

Social Policy

Public Policy

Development Projects

Rents

Introduction

The welfare state as a principle was always an integral part of the state-building project after independence, inscribed in the earliest foundational texts of the Algerian state, specifically the first communiqué of November 1954, which affirmed that the aim of the war of liberation was to establish "the sovereign, social democratic Algerian state."⁽³⁾ The declaration was issued in the moment of revolution against colonial practices and the imperialistic ideology that had usurped freedom and sovereignty just as it had arrogated to itself the economy, wealth, and land. The welfare state in Algeria was established in a historical and international context in which socialist and progressive narratives held sway in newly independent states and the lines between colonialism and capitalism were blurred. These ideas were later given expression in most of the Algerian state's founding texts, starting with the Tripoli conference in June 1962. Despite the

intense political conflict between the nascent state leadership at this time, nearly all the post-independence political factions agreed on the social democratic and progressive nature of the state.

The earliest seeds of this Third-World developmental model took root after the conflict over power was decided in favour of the General Staff, particularly in the wake of the 1965 coup, a period when revolutionary hopes were bound up with the logic of the socialist state in Algeria of the 1970s, as the state assumed a growing role in the development project, claiming a monopoly on all the means of production. The economy and all major productive sectors fell under state control, particularly after the nationalizations that began in 1971 and were enshrined in the constitution in 1976, especially in Article 14.⁽⁴⁾ This cemented the political and economic shape of the welfare state, embedded in the framework of the socialist project.

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³ The communiqué can be found on: "Bayān 'Awwal Nufamber 1954," *Ministry of Communications* (Algeria), accessed on 25/6/2021, at: <https://bit.ly/2UxaRr3>

⁴ "Dustūr 1976," *People's National Assembly* (Algeria), accessed on 25/6/2021, at: <https://bit.ly/2T65AX5>

This situation established a system of contracts between a society destined for stagnation and a state provider that enticed broad and heterogeneous social groups to live on its largesse. These groups relied on the state to meet their needs for social advancement by striving to draw near to the centres of power and sources of rent. The state — rather than one's position in the system of production and labour — became the sole avenue to the attainment of wealth, in a system closed to market and competition and an environment in which clientelism dominated every level of relations between the state and individuals, and even between the state and entire social classes.

This relationship persisted for decades during which phases of convulsion were followed by stability. These decades saw profound transformations in

Algerian society, the structure of social relations, and the relationship between society and state institutions. All of this played an important role in shaping the current-day unrest, as the protest movement has a political rather than social approach, one perhaps more profound and comprehensive than its predecessors in the 1980s. This study examines several questions that I consider urgent in this context, namely: What are the historical and ideological contexts for the foundation of the welfare state and its social project in Algeria? Did social welfare in public policy contribute to the success of the development project? And was this social welfare related solely to the sources of rent and power shifts in the state? What are the implications of the relationship between the welfare state and society after decades of social welfare policies carried out against the backdrop of economic crisis?

1. The Philosophical Underpinnings of the Welfare State: The Welfare State in the European Context

The rise of the welfare state is fundamentally linked to the crisis of capitalism and class contradictions in the complex historical and sociological context that governed the transformations in European societies since the eighteenth century. It is "the product of history, first and foremost, and only then the maker of it. To the degree that the welfare state promotes the gradual development of a culture of humanism, it is fundamentally subordinated to the rule of capital as a social relation."⁽⁵⁾ The task of the welfare state in the European context was to reproduce the labour force, for and to the benefit of capital, in order to establish an equilibrium between two poles: the lower end represents the point at which the unemployed are numerous enough to grow into a cohesive social force that could threaten capital; the upper end represents the point at which the labour shortage begins to cut into profits due to higher wages.⁽⁶⁾

In social democratic philosophy, Asa Briggs defines the welfare state as the form of state in which

organized power is used deliberately, through policy and administration, to mitigate the interaction of market forces on three basic axes. First, it insures a minimum wage for individuals and families regardless of the market value or ownership of their labour. Second, it mitigates the insecurity of individuals and families by responding to various social emergencies, such as illness, old age, and unemployment, which could result in individual and familial crises. Third, it guarantees that all individuals regardless of status or class will receive the best available levels of social services.⁽⁷⁾ Mary Daly concludes that welfare refers to "material sufficiency... and provision for need within the context of organised services for the needy and the populace more broadly."⁽⁸⁾ This is a model that emerged in various forms in Western Europe in which the relationship between individuals, the state, and the economy was established in way that tax, capital, and the labour force overlap. Al-Naggar conceives of the welfare state as "a purportedly intermediary state that levies taxes and reinvests to reproduce a working

5 Ahmed al-Sayyed al-Naggar et al., *Dawlat al-Rafāhiya al-Ijtimā'iyya* (Beirut: Center for Arab Unity Studies, 2006), p. 87.

6 Ibid., p. 92.

7 Mary Daly, *Dawlat al-Rafāh*, Omar Saleem al-Tal (trans.) (Doha and Beirut: Arab Center for Research and Policy Studies, 2015), p. 118.

8 Ibid., p. 24.

class that sells its labour to capital as necessary, and to the extent that it makes the more educated working class better off, its economic capacity and revenues accrue to capital."⁽⁹⁾

Talk of the welfare state in Europe leads to a discussion of the crisis of capitalism in the early twentieth century. Here two historical stages in state economic intervention can be discerned. The first stage commences with the global depression of 1929. The most acute cyclical crisis in the global capitalist economy, it was a clear manifestation of the contradiction between wages and profits, demonstrating that individuals and corporations were unable to avoid the problems inherent to the capitalist economy. As such, it became necessary for the state to become more involved in framing the economy, designing public policies, and regulating the market. John Maynard Keynes agreed with Marx that capitalism contained some irrational features,⁽¹⁰⁾ though of course he took its productivity as a given. Keynes believed that a mixed economy would stabilize market capitalism by managing demand and nationalizing certain sectors as a form of social democracy. Keynes' macroeconomic vision belied the idea of a self-correcting market, suggesting that dysfunctions in the capitalist system — economic recession specifically — could only be prevented through state management of effective demand, based on public spending versus private investment and consumption spending.⁽¹¹⁾

The post-war period (1945–75) constitutes the second stage. The so-called Trente Glorieuses⁽¹²⁾ defined the features of a new world, divided into, or contested, by three models:

1. Anglo-Saxon liberal capitalism, which originated in the UK and found new life in the US, and which is based on absolute market freedom.
2. Social welfare capitalism, which allows for greater state intervention to guarantee a balanced distribution of wealth and is based on efficient systems of national production.⁽¹³⁾
3. The Soviet socialist project, or "capitalism without capitalism," which was independent of the prevailing global order.⁽¹⁴⁾

The post-war period, then, produced bipolar geopolitical demarcations as the US and Soviet Union rose out of the ashes of crumbling European empires to become the two superpowers. This period also witnessed the formation of political and financial institutions like the UN and World Bank, driven by the exigencies of reconstruction and the urgency of development. With the subsequent national independence movements and the rise of a bloc of developing states, development was no longer exclusively a European demand, but a global one, as these new states adopted an approach to development that consolidated the idea of welfare state intervention.⁽¹⁵⁾

Most European states opted for the social democratic model after the Second World War. As Anthony Giddens says, "Socialism in the West became dominated by social democracy — moderate, parliamentary socialism — built upon consolidating the welfare state. In most countries, including Britain, the welfare state was a creation as much of the right as of the left, before socialists came to claim it as their own."⁽¹⁶⁾ Here, the state occupied a central place in the redistribution of resources, mitigating the inequality

9 Al-Naggar, p. 90.

10 Anthony Giddens, *The Third Way: The Renewal of Social Democracy* (Cambridge: Polity Press, 1998), p. 9.

11 Al-Naggar, p. 176.

12 The welfare state was prominent in this period in France, for example, thanks to major economic growth and near full employment, a result of Keynesian economic policy and economic planning based on cooperation between the state, employers, and labor unions, all seen as vital social partners in designing public policy. During this period, France made great strides in social protection, social security, family laws, and minimum wage laws. See: John Dixon et al., *Dawlat al-Rafāhiya al-Ijtīmā'iyya fī al-Qarn al-'Ishrīn*, Sara al-Dheeb (trans.) (Beirut: Arab Network for Research and Publishing, 2014), p. 164.

13 Samir Amin, *al-Iqtisād al-Siyāsī li-l-Tanmiya fī al-Qarnayn al-'Ishrīn wa-l-Wāhid wa-l-'Ishrīn*, Fahmiya Sharaf al-Din (trans.) (Beirut: Dar al-Farabi, 2002), p. 23.

14 Ibid.

15 Guive Khan-Mohammad, "Le retour l'Etat développementaliste en Afrique: Une lecture paradigmatique," working paper "Developmental State Strikes Back?," *Swiss Program for Research on Global Issues for Development*, January 2017, accessed on 25/6/2021, at: <https://bit.ly/2OAemq5>

16 Giddens, p. 4.

that market relations might generate. The goal was equality within the framework of social policies.⁽¹⁷⁾

Parties with a social vision expanded further after the dissolution of the Soviet bloc in 1989, as most communist parties in Western Europe turned toward social democracy.⁽¹⁸⁾ This, then, is a state of the middle and upper class, an enabling state or a social investment state.⁽¹⁹⁾ This state model

persisted throughout Europe until the turn of the third millennium, when the continent experienced complex internal and external transformations associated largely with the growing influence of globalization (especially economic globalization), the rise of right-wing parties, and divisions within the EU due to the political and economic ramifications of contingent phenomena such as illegal immigration and terrorism.

2. From the Developmental State to the Welfare State: Comparisons and Contexts

A developmental state is one in which the state is in charge of development. This model is prevalent in Asian countries, appearing with the rise of Southeast Asia in the post-war period, especially in the early 1960s.⁽²⁰⁾ Seen early on in South Korea, Taiwan, and Malaysia, the model was later emulated in Latin America and Africa. This model suited the historical context in which these newly independent states emerged, as they sought to stabilize their turbulent political systems through broad state intervention in economic affairs, support for the national economy, and market restrictions. The developmental state, then, is a model of development based on the strategy of industrialization, with the purpose of catching up with more advanced countries.⁽²¹⁾ As comports with the then-prevailing vision that held to the necessity of

prioritizing industrialization in any real development project, it represents a break with the traditional productive structure and weak levels of production.

In the Arab case, development was closely linked with state economic intervention and the exponential growth of the last century. Like other Third World countries, this was the trajectory of most Arab states, whether socialist, liberal, or conservative, republics or monarchies, or petrostates. Development was further associated with bureaucratic expansion, as it was widely believed in this period that bureaucratization was tantamount to development.⁽²²⁾

This trend can be understood by looking at the historical context of Arab state-building since the 1950s. At the time, the construction of the state was linked with the

17 Daly, p. 92.

18 Giddens, p. 17.

19 Daly, p. 106.

20 After the depression that hit these states in the wake of the Second World War and its destruction, the war effort shifted toward development with the aim of catching up with the victorious, superior West. This specifically legitimized state policies, goals, and practices toward society and the market, as development efforts in these states were linked to their emerging complex relationship with the West. The South Korean experience was grounded in a high efficiency private sector (anti-corruption, an internationally dynamic private sector). The development project relied on large economic conglomerates (*chaebols*) in the framework of centralized planning and decentralized implementation. Local governments and institutional initiatives were also given space to direct development. Taiwan's experience with development was unique, taking place amid an existential conflict between nationalist and communist China. After a prolonged conflict with communists on the Chinese mainland, General Chang Kai-shek (1886–1975) relocated to Taiwan, where he established a strong military regime allied with the US against communist China. While the state and politics were militarized, the economy and development were managed in a decentralized fashion, based on small and medium institutions and meta-management. The result was that Taiwan became a modern industrialized state in a brief period, despite the surrounding geopolitical conditions. See: Taib Hafsi, *Le Développement économique de l'Algérie: Expériences et perspectives* (Algiers: Casbah Editions, 2011). Malaysia offers yet another model of the developmental state, transitioning away from the agricultural state, where 56.4 percent of the population was involved in agriculture, to a state that exported 43 percent of microelectronics of its total exports in 2013. This high level of economic efficiency was achieved by the adoption of the developmental state model in the 1970s and through the 1980s, pursued under a strong bureaucracy responsible for industrial planning and led by a unique political elite that focused on economic development and modernization under a quasi-democratic, soft authoritarian political system. See: Toby Carroll & Darryl S. L. Jarvis (eds.), *Asia after the Developmental State: Disembedding Autonomy* (Cambridge: Cambridge University Press, 2017).

21 Esteban Pérez Caldentey, "The Concept and Evolution of the Developmental State," *International Journal of Political Economy*, vol. 37, no. 3 (September 2008), pp. 27-53.

22 Nazih Ayyubi, *Taḍkīm al-Dawla al-'Arabiyya: al-Siyāsa wa-l-Muḥtama' fī al-Sharq al-Awsat*, Amjad Hussein (trans.) (Lebanon: Arab Organization for Translation, 2010), p. 574.

extreme expansion of its bureaucratic apparatus and then the growth of a bloated public sector. While the public sector initially met urgent, real needs in managing the development process of these newly independent countries, it subsequently became a problem for the economy and development itself, especially in countries whose economy depended on oil rents. The development project in Arab countries revolved largely around interrelated major goals that underpinned the post-independence state project: growth, national unity, social justice, and social stability, all in a context of deferred democracy. This project was subject to totalitarian leadership for decades.⁽²³⁾

In this regard, Taib Hafsi defines development as a set of social and political factors that nurture the will of social actors — individuals, institutions, parties, and the central government — to interact constructively. It is framed and defined by the dominant ideas and ideologies in society; it is not determined by economic

factors alone, but the involvement of the entire social body.⁽²⁴⁾ This ideal was generally not realized in the Arab case, and Algeria is a salient example of how the development project was constrained mainly by political ideology. Development was subordinated to ideology, especially under former presidents Ahmed Ben Bella and Houari Boumediene. This is evident when looking at their ideological choices — autonomy for the first, socialism for the second — in their anti-imperialist historical context and climate in which there was much confusion between imperialism and capitalism. All state institutions, even educational and cultural ones (the school, the university, the mosque) were mobilized for the promotion of the three-year plans from 1967 to 1977 and the adoption of manufacturing as a basis for development. All were engaged in extolling the 1974 nationalization project as a second national independence, and even the crux of the founding charters of the Algerian state.

3. On the Historical Contexts of the Social Welfare State in Algeria

When discussing the historical contexts surrounding Algerian state-building and its problematic relationship to the economy and the market, it is useful to invoke Lahouari Addi's words: "The historical origins of the post-independence state explain the break between that state and the political economy. The ideological and historical roots of this dynamic contradicted all the rational premises for the operation of the laws of political economy. The regime refused to liberalize the economy, believing that it would be divisive in a context in which society needed unity in order to maintain independence."⁽²⁵⁾ In fact, the development project in this case did not have economic goals so much as political and ideological goals. In Algeria, it was governed by a kind of political rationality versus economic rationality in liberal states, regardless of whether the goal of preserving sovereignty and national unity in extremely turbulent geopolitical and domestic conditions was achieved. Nevertheless, these goals were transformed into a populist approach

that does not view society in terms of economic interests; on the contrary, the authorities at the time believed that these interests would contribute to fragmentation and division.

The logic of the Algerian state's hostility to the market is clear in its founding charters, starting with the Tripoli Charter of 1962, which stated: "The real and long-term development of the country is linked to the establishment of basic industries that are indispensable for modern agriculture. Algeria has enormous potential for the oil and steel industries [...]. The experiences of some countries show that the state cannot in any way contribute to the creation of an industrial base for the benefit of the local bourgeoisie. Rather the state must limit its development by appropriate measures."⁽²⁶⁾

The 1976 constitution did not diverge from this anti-bourgeois attitude or the logic of state expansion into and appropriation of all forms of economic activity.

23 Hafsi, p. 32.

24 Ibid.

25 Lahouari Addi, *L'impasse du populisme: l'Algérie, collectivité politique et État en construction* (Algiers: National Book Company, 1990), p. 151.

26 *Al-Nuṣūṣ al-'Asāsiyya li-Thawrat Nufamber 1954* (Algeria: ANEP Publications, 2008), pp. 94-95.

Article 29 states, "The state shall work to change the relations of production, manage the national economy, and guarantee its development on the basis of scientific planning, democratically designed and inevitably implemented. The state shall regulate production and determine the distribution of national income. It is the principal element in the transformation of the economy and all social relations."⁽²⁷⁾ It was not until the 1986 National Charter that Boumediene's choices were partially and/or formally revised, on the grounds that "continuity is threatened by the danger of stagnation and dogmatism."⁽²⁸⁾ Yet, that charter continued to emphasize the ideological nature of state economic intervention "for the purpose of eliminating injustice and exploitation [...] and to guarantee to every citizen at an early stage a type of consumption commensurate with a decent standard of living [...]" Although these social investments constitute a heavy burden, they are, without a doubt, one of the most important factors for development."⁽²⁹⁾

The social welfare state, then, emerged from the development project that itself grew out of the historical and ideological circumstances of independence. It was based on the appropriation of all forms of economic activity, from colossal mining conglomerates to the tiniest workshops, denying economic independence to individuals or groups of all social classes, middle and lower. At the same time, citizens were unable to organize into real unions

or parties. This "protector" state was the sole union and the only party, preventing the emergence of any contradictions in society that might arise from its members' conflicting economic interests.⁽³⁰⁾

By the early 1980s, this situation had created a bloated public sector that was corrupted by an influential bureaucracy that transformed state rents into sources of profit, having sorted itself into cliques that divided these rents based on the proximity to power. In turn, this transformed the erstwhile developmental state into a rentier state, until the collapse of oil prices in 1986 rendered it unable to meet social demands for housing, jobs, health, etc. due to its paucity of resources and the ineffectiveness of subsequent reform policies (the structural correction of institutions from 1979–87 and laws reforming the agricultural sector). As a result, the country experienced profound social upheavals, culminating in the October 1988 uprising, where people rose to demand, in addition to freedom of assembly and democracy, a change in the administration of the economy and social services. The populace revolted against the state's distributive system, which had forced the majority into want and poverty.⁽³¹⁾ This situation carved deep rifts between society and the state that persisted throughout the 1990s, a decade in which the economic crisis became a political and then a serious security crisis with the rise of religious populism.

4. Public and Social Policies of the Welfare State: From Expansion to Retreat

For decades, at least until the late 1980s, the official regime discourse emphasized in its texts and/or practices that its project, after achieving independence and preserving the gains of the revolution of liberation, was to achieve balanced, comprehensive development and social justice. As discussed above, this occurred amidst the prevalence

of anti-imperialist and anti-capitalist discourse, and the grand narratives of socialism. At this point, the Algerian state resembled the developmental state model of East Asian countries, especially with regard to industrial policy. Algeria's macroeconomic choices — the support of manufacturing and major industrial complexes — required huge public investments.

27 "Dustūr 1976."

28 People's Democratic Republic of Algeria, "The National Charter," *Official Gazette*, no. 7, Year 23, 16/2/1986, p. 148.

29 *Ibid.*, p. 168.

30 Lahouari Addi, *Algérie, chronique d'une expérience postcoloniale de modernization* (Algiers: Barzakh Editions, 2012), p. 189.

31 Ghazi Hidouci, *al-Tahrīr al-Nāqis*, Khalil Ahmed Khalil (trans.) (Beirut: Dar al-Talia Publishers, 1997), p. 88.

Investments in the industrial sector — which employed large numbers of workers, a significant part of them unskilled⁽³²⁾ — increased from 5 percent of GDP in 1963 to 29 percent in 1969.⁽³³⁾

In the decade from 1968 to 1978, the public sector, along with the administrative sector,⁽³⁴⁾ became the country's biggest employer, biggest investor, and biggest producer. At the same time, the state made rapid strides in universalizing education and healthcare through public investments, creating a welfare state whose macroeconomy was governed by sources of rent and a public sector with the largest workforce. This led to the bureaucratization of the economy, as rent became more a financial tool serving this bureaucracy and social status than an economic tool. As a result, individuals began seeking a share of the rent without actively participating in economic production. This state of affairs was institutionalized after 1973, changing the roles and shape of the state, turning it into rentier entities, particularly in the Arab region.⁽³⁵⁾

The state adopted social welfare policies through public expansion and investment in basic services, democratizing education, providing free health care, social care and social transfers, and subsidizing basic goods and housing. But these social policies required ever increasing resources to keep pace with annual population growth. Then, in the mid-1980s, after a period of relative stability, the doubling of the demand for public spending upended the balance between rentier oil revenues and the regime's domestic economic and social commitments, sending the authorities into a debt spiral. Foreign debt increased from \$19.86 billion in 1980 to \$32.61 billion in 1995, with an annual debt service rate of 38.7 percent. This

chronic financial deficit affected the state's ability to meet urgent social requirements, especially for jobs and housing, while the already bloated and weak public sector was unable to meet the rising demand for jobs. This gave rise to an informal or parallel economy, an inevitable result of the state's gradual withdrawal from the provision of social and economic needs. The details are explored below.

1. Housing

The population grew from 18.7 million in 1977 to 24 million in 1988, for an annual increase of 3 percent. This demographic shift was reflected in cities in particular, with the urban population increasing by 4.8 percent annually between 1980 and 1990.⁽³⁶⁾ One result of this steady increase was an ever-growing demand for housing, especially with increased rural migration. The state was thus compelled to enact Law 86/07 allowing private parties to build "individual residences,"⁽³⁷⁾ opening the door to private-sector investment in the housing market. In addition, it made grants of state-owned real estate due to its inability to meet housing demand and address this festering social issue. The state's retreat demonstrates clearly how declining oil revenues undermined the state's ability to assume its social role.

The security situation also exacerbated demand for housing and public facilities, as major population inflows from the interior to the cities were motivated more by security concerns than socioeconomic reasons, unlike the 1970s and 1980s. New migrants' living in the slums on the margins of cities needed education, healthcare, and jobs, placing additional pressure on the social support system.

32 This period saw major rural migration to cities. This second wave of migration — the first came in in the early years of independence in the wake of the vacuum left by the French colonizers — can be explained by several factors, among them weak development and poor infrastructure. The development project focused on major urban areas, engendering unequal rates of development between urban and rural areas and making cities more attractive to rural dwellers thanks to the availability of jobs, education, and healthcare, as well as employment in the promising industrial sector. But this rural labor did not possess the skills needed in a complex field like industry. Rural inflows would later create major problems, such as urban poverty belts and slums in the late 1980s, which became hotbeds of security unrest in the 1990s. See: Abdellatif Benachenhou, *al-Tajriba al-Jaza'iriyya fī al-Tanmiya wa-l-Takhfīf bayn 1962-1980* (Algeria: University Publications Office, 1982).

33 Gerard Déstanne de Bernis, "Les industries industrialisantes et les options algériennes," *Revue Tiers Monde*, vol. 12, no. 47 (1971), p. 545.

34 Samir Bellal, *La crise du régime rentier* (Tizi Ouzou: Frantz Fanon Editions, 2017), p. 92.

35 Abdelkader Sid Ahmed, "Paradigme rentier en question: L'expérience des pays arabes producteurs de brut. Analyse et éléments de stratégies," *Revue Tiers Monde*, no. 163 (September 2000), p. 503.

36 Rachid Aoussi, "Classes moyennes algériennes rente et stagnation politique," *NAQD*, no. 36 (April 2018), p. 124.

37 People's Democratic Republic of Algeria, "Law no. 7-86 of 23 Jumada II 1406/4 March 1985, with regard to Property Development," *Official Gazette*, no. 10, Year 23, 5/3/1986, p. 350.

2. Employment

In addition to the effects of economic restructuring in the 1980s, the privatization push in 1995 was the most important indication that the state was retreating from the management, financing, distribution, and financial stabilization of economic activity and public institutions. At the beginning of the 1990s, 650 public and local institutions were dissolved, in addition to another 250 production units in various productive branches.⁽³⁸⁾ Thousands of workers were laid off, with the result that unemployment rate reached 27% in 1995 and 30% in 2000 — the highest rates of unemployment witnessed in the history of independent Algeria (see Table 1).

Table 1

Gaps in job demand and supply (1990–2001)

Year	Job applications received	Permanent positions filled	Temporary positions filled	Total
1990	229,845	33,055	27,443	60,498
1991	158,875	19,382	22,837	42,219
1992	170,709	14,752	21,916	36,668
1993	153,898	15,173	20,258	35,431
1994	142,808	12,806	24,179	36,985
1995	168,387	11,578	29,885	41,463
1996	134,858	6,134	25,976	32,110
1997	163,800	5,090	19,740	24,830
1998	166,299	3,926	22,638	26,564
1999	121,309	3,727	18,650	22,377
2000	101,520	3,014	19,201	22,215
2001	99,913	3,191	20,505	23,696

Source: *National Bureau of Statistics*, accessed on 20/6/2021, at: <https://bit.ly/3qSIoIo>

These figures show the decline in job offers against increasing job demand, clearly demonstrating the public employment sectors' inability to contain the problem of aggravated unemployment due to their structural and financial dysfunctions. From 1990 to 2001, permanent job placements declined by 90 percent, as shown in Table 1, during a period in which the opposite should have happened to accommodate the increasing demand for work. Society responded to this situation by creating an informal economy, which emerged in the mid-1980s and flourished in the 1990s. This economy fed on and recycled scarce state resources at a time when the state apparatus was preoccupied with the war on terrorism and Islamic radicalism.

3. The Informal Economy

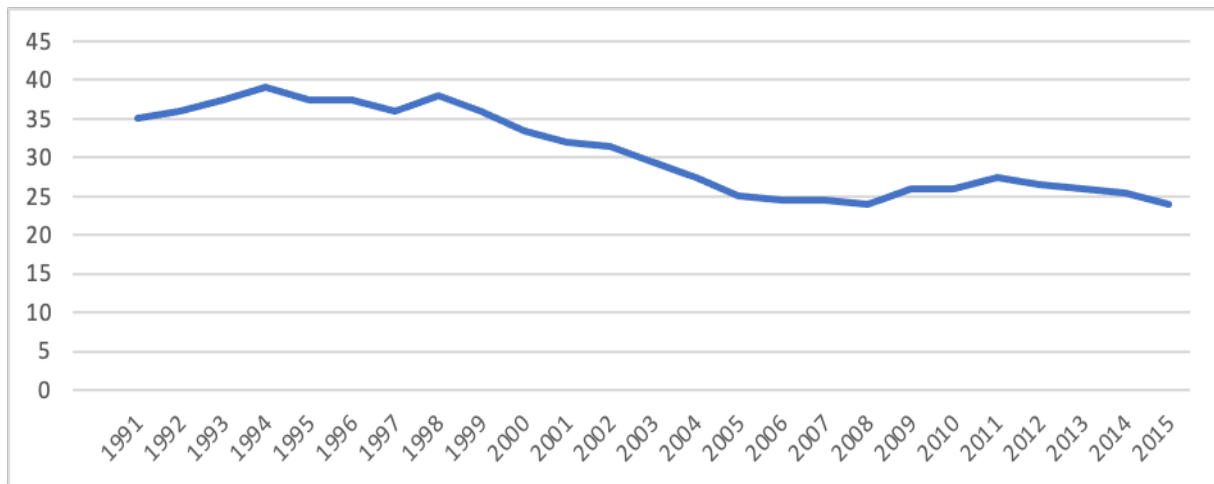
The informal economy (or shadow economy⁽³⁹⁾) represented a parallel economy beyond state regulation with the ability to employ broad swathes of job seekers, invest huge resources, and penetrate large sectors of activity more effectively. It is a cognate of the market economy, absent any regulatory framework. It feeds off the bequests of the welfare state even in times of crisis, though it engages in a kind of economic civil disobedience against the state's regulatory, tax, legal and bureaucratic tools. At other times, it functions as an informal lending system given the absence of a viable banking system.⁽⁴⁰⁾ Figure 1 shows the development of the informal economy. A rise of the informal economy is seen in the early 1990s as oil prices dipped to an average of \$17/barrel in 1995 and \$12 in 1998. Due to weak state investments in employment, the economy, and social welfare, the shadow economy flourished in this period, subsequently declining at the turn of the millennium as security and political stability returned with the election of President Abdelaziz Bouteflika and the consolidation of political institutions (the government and parliament) after a decade of unrest and instability.

38 Nordine Grim, *L'économie algérienne otage de la politique* (Algiers: Casbah Editions Casbah, 2004), p. 61.

39 In Algeria, it is referred to as "al-marché noir," in line with the French, referring to any goods or economic activity outside state regulation. The term has multiple connotations, historical and economic, and specific to particular demographic groups.

40 Hidouci, p. 91.

Figure 1
Development of the informal activity, as a percentage of GDP (1991–2015)



Source: "Algeria: Shadow Economy," *The Global Economy*, accessed on 20/6/2021, at: <https://bit.ly/3cWqJKa>

5. Sociopolitical Transformations: The Example of the Middle Class

In Algeria, the middle class is inevitably the product of six decades of state social policy. Indeed, its creation had been a major goal of many social policies, and it flourished under the bosom of the state. The middle class does not owe its origin to its position in the system of production and labour, but to the accumulation of rents, in addition to a set of accommodations with the political class.⁽⁴¹⁾ It was fostered by the transformation of the post-independence ruralized society into a society engaged in the development project, striving to build a self-sufficient industrial base and economy based on oil revenues. As the price of oil rose steadily in the 1970s, with revenues of the industry sector increasing from 5 percent of GDP in 1962 to 33 percent in 1977,⁽⁴²⁾ these revenues were fed into public investments in education, health, job provision, and housing, giving rise to a middle class⁽⁴³⁾ in the midst of the development project, while creating conditions that allowed for the distinction of a particular social class. This class took shape on the sidelines of an

ideological project that claimed to seek the abolition of all economic distinctions between individuals.

Starting in 2011, society, in particular the middle class, adopted a neutral wait-and-see attitude toward the revolutions and unrest unfolding in other Arab countries. This neutrality was justified by many historical, psychological and economic factors and is attributable to the nature of the relationship between the middle class and its incubator, the welfare state. In this context, it is important to remember the October 1988 uprising, which though driven by socioeconomic motives had real political goals. Ultimately that uprising grew out of the 1986 economic crisis. These same conditions and circumstances did not exist in the early years of the so-called Arab Spring. Until 2014 at least, Algeria enjoyed political and economic stability, and this was reflected in the general societal mood, which remembered too well the years of the security crisis and its painful impacts.

41 Aoussi.

42 Ibid., p. 132.

43 There is some debate about the historical formation of the middle class in Algeria, but we should note that one cannot speak of a middle class prior to independence, as is true in neighboring countries, given the systematic economic destruction and fragmentation wrought by French colonialism during the occupation. If there was a middle class in that period, it was the European colonial bureaucracy that possessed the resources, but what Samir Amin calls "the Muslim rural class" of Algerians occupied no central position in the system of production. The lack of job security, which means irregular income and unstable work, prevents the subproletariat from organizing into a coherent structure that can advance economic, social, and even political demands. See: René Galissot, "Les classes sociales en Algérie," *L'homme et la société*, no. 14 (1969), pp. 207-225.

This situation persisted for two decades (1999–2019), during which the middle class represented what researcher Rashid Oweissi describes as "the regime's base." Despite the diverse ideologies driving the middle class, it was united by rent. This is what Mahfouz Banoun calls the "equilibrium of stagnation."⁽⁴⁴⁾ This unspoken contract preserved the class-state clientelist relationship, transforming the middle class from an engine of democratization into a factor for immobility and stagnation.

Social transfers were the most important financial tool for maintaining this equilibrium. The state thus allocated substantial budgets to housing, basic foodstuffs, energy and electricity, health, and education, in addition to social protection for vulnerable groups. For decades, the state preserved social transfers as a constant in all financial laws, although they were limited by fluctuating oil prices. Table 2 shows the increasing value of these transfers over the past nineteen years.

Table 2
Value of social transfers (2001–20)

Year	Value of transfer (Unit AD billion)
2001	315.011
2005	460.484
2007	838.947
2008	1,083.273
2009	1,207.855
2012	1,763.700
2014	1,609.123
2018	1,760.000
2020	1,797.600

Source: Prepared by the author based on data from: *Algerian Finance Ministry, the General Directorate of Assessment and Policy*, accessed on 20/6/2021, at: <https://bit.ly/3Js8WZ2>

Table 3
Distribution of social transfers (2009–2014)

Area	2009 total (Unit AD million)	2014 total (Unit AD million)	Increase (%)
Housing	195.620	255.192	30.5
Families	459.342	422.140	-8.1
Family compensation	44.155	42.478	-3.8
Education	78.359	103.012	31.5
Subsidies on basic goods	192.223	213.693	11.2
Gas and electricity	144.605	62.957	-56.5
Retirees	149.247	252.097	68.9
Health	176.948	320.478	81.1
Support for the mujahideen	111.284	180.557	62.2
Support for people with special needs and low income	15.414	178.659	1,059.1
Total transfers	1,207.855	1,609.123	33.2
Social transfers as a % of the state budget	29	21	
Social transfers as a % of gross GDP	12.1	9.3	

Source: Government of Algeria, *Rapport national 2000–2015: Algérie objectifs du millénaire pour le Développement*, June 2016, p. 34.

Table 2 shows a steady increase in social spending, especially between 2007 and 2014, a period that witnessed an unprecedented spike in oil prices, reaching \$141/barrel in the summer of 2008. With increased oil revenues, social spending nearly doubled in the space of seven years. Spending subsequently stabilized or increased only slightly, as oil prices started to fall in 2014. The table demonstrates the crucial link between fluctuation in oil prices and the

state's engagement in social support, which was aimed primarily at preserving the professional middle class. It should be noted as well that subsidies for energy prices and electricity fluctuated according to circumstance, while support for education, health, or ideological goals (support for the mujahideen) remained steady. Table 3 illustrates this situation between 2009 and 2014, drawing on the Algerian government's national report on the Millennium Development Goals.

6. The Political Consequences of the Welfare State

The welfare state has reestablished itself over the past twenty years based on the same social contracts that long governed its relationship with society: social policies financed by oil rents that flow through public policy channels and projects for the general welfare. Since 2001, the state has launched several projects to save the national economy. The first was the 2001–2004 economic recovery project, costing an estimated 525 billion dinars (\$6.8 billion),⁽⁴⁵⁾ followed by the supplementary growth support program 2005–2009, at an estimated cost of 4,202 billion dinars (\$56 billion), 45 percent of which was allocated to social items, and finally the economic growth consolidation program from 2010–2014, costing an estimated 21,214 billion dinars (\$286 billion),⁽⁴⁶⁾ 40 percent of it directly related to individuals' needs for jobs, health, housing, education, and social protection. These projects had profound economic and social impacts throughout the nearly two decades of former President Bouteflika's rule.

Starting in 2011, budgets for development projects were tied into oil prices, which rose steadily until 2014, as well as landmark political dates where promises of development were one of the most important ways to consolidate a fragile legitimacy. Social peace was the regime's top concern at the time given the escalation of social protest movements on

the national, sectional, regional, and local levels. It is true that large sectors of society enjoyed a measure of well-being and improved social status, especially in terms of wages, an increase in the guaranteed national wage, and a review of basic laws and the wage scale in the education, higher education, health, and housing sectors.⁽⁴⁷⁾ However, this did not contain the growing social demand in a society where 70 percent of its members live in cities that require support for public services like gas, electricity, water, and health coverage, in addition to social demands. Social protest thus became more common, especially after 2014 when oil prices began to fall and exchange reserves shrank after the resources of the Revenue Control Fund were exhausted in 2016. The mission of the RCF was to address fluctuations in global oil prices to bridge the general budget deficit.

This form of public social spending gave rise to a financial oligarchy. Growing and expanding thanks to its clientelist relationship with the state, this oligarchy had access to the massive five-year programs whose aim, according to the official discourse at the time, was "to improve citizens' lives and advance the wheel of development." This access was not granted based on the laws of the market, competition, and transparency, but on the proximity of the oligarchy to the narrow circles of power and, hence, state resources.⁽⁴⁸⁾ Such

45 Dollar values for the Algerian dinar from 2001 to 2005 are based on figures from the National Agency for Development and Investment (ANDI).

46 "Algérie-développement-programme, Programme De Développement Quinquennal 2010-2014: Communiqué Du Conseil Des Ministres," *Food and Agricultural Organization*, accessed on 25/6/2021, at: <https://bit.ly/3xRFoyi>

47 These include various housing programs (AADL, LPA, LSP, etc.) as well as rural support and other forms of assistance based on social demographics.

48 In late summer 2019, in the midst of the popular movement, several businessmen with ties to former prime ministers and ministers in the Bouteflika era were prosecuted (some trials continue today). They had amassed wealth over the previous two decades by unlawfully exploiting their relationships with the centers of power to take advantage of public tenders and projects.

patronage was a systematic process of divvying up state rents.⁽⁴⁹⁾ Just as it functioned as a donor and provider for its citizens, similarly the state fostered an environment that allowed for the predation of its resources. Neither the state nor the society were faced with economic actors who produce wealth and create new production relations that help establish liberal economic conditions—the kind of actors who can be a material support for subsequent political liberalization.

In fact, it should not be assumed that economic or social factors were the main drivers of the movement of 22 February 2019. Rather, the movement arose in the context of a complex political crisis in the making since the beginning of Bouteflika's fourth term in 2014. The elections of 18 April 2019 and the preparation for a fifth Bouteflika term provided the spark for protests and demonstrations unprecedented in the country's history and expressing the popular rejection of this course of action. This "blessed" popular movement — as the regime then described it⁽⁵⁰⁾ — was a historical turning point in society's relationship with the state. Among

the more remarkable features of this movement are its peacefulness — maintained by all, state and movement alike — which has spared the state and society gross abuses and grave dangers, as well as the discourse of a clean break with past practices. The regime has emphasized this break especially as it concerns economic affairs and oversight of public monies.

On the other side — that is, the movement — the demand for total break with the past has also prevailed (at least on the level of slogans), along with a profound collective rejection⁽⁵¹⁾ of authoritarianism, paternalism, and the rentier accommodations that for decades plunged the country and the economy into regular crises, thwarted the introduction of genuine market competition into the national economy, and disrupted the organization of political and labour entities into true civil society structures. Even so, the masses did not relinquish the demand for social justice or the gains of the welfare state. Whatever its shortcomings, it has fostered and protected them all.

Conclusion

This study sought, through a historical and analytical reading, to understand the historical and ideological contexts of the establishment of the welfare state, as the vessel for the sociopolitical project, and to examine the relationship between social welfare in state public policy and the development project, given shifts in power relations underpinned by rents and the link between this policy and rentier resources. I have also taken up the consequences of the relationship between the welfare state and society, in the context of cumulative, overlapping political and economic crises that have led and periodically do lead to deep societal tensions and fissures.

Historically, the rise of the welfare state was linked with the transition from an unjust state (colonialism) to a social justice state (the post-independence state). The welfare state was embodied in the social practices of a state that sought to be a provider and protector

for its citizens. At the same time, it was hostile to the market and laws to liberalize production relations — an ideological choice made to meet political ends in turbulent historical conditions. This is apparent in the state's founding texts, its decisions, and its institutions, as an entity that inserted itself into every detail of economic relations within society, and guided and framed this society.

The trajectory of public and social policies — specifically concerning social needs — is closely tied to the ups and downs of the development project in Algeria, especially during the 1980s and 1990s, which witnessed falling oil prices and political and security unrest that affected the welfare state's ability to meet social needs. The state retreated from its social role, and this greatly affected the relationship between state and society, especially the middle class, which constituted the regime's base and the most

49 Adel Abderrazak, "Le mouvement populaire en Algérie: Vers une rupture systémique?," *Revista Argelina*, no. 8 (July 2019), p. 40.

50 President Abdelmadjid Tebboune called the movement "blessed" in the first speech after his election in December 2019. He continued to use the term in other speeches and media interviews, and it was enshrined in the preamble of the constitution put to a referendum on 1 November 2020.

51 Abderrazak, p. 46.

important demographic produced by the welfare state. Consequently, social protest expanded, assuming political and radical dimensions that ruptured decades of stagnation. Higher rentier financial flows at the beginning of the third millennium and the expansion of the social aspect of public policy created a situation that allowed the national economy to be preyed on by the financial oligarchy and comprador networks in a period of hardship and crisis, laying bare the complex predicament facing the economy, society, and the state.

Looking at the history of the formation of the welfare state in Algeria, its contradictions, and its successive crises raise the question of where this model might lead, after Algerians have taken to the streets to demonstrate against its political and social remnants. Although it is difficult to predict the future — the social sciences did not anticipate the Arab Spring — it seems clear, based on an objective assessment of the trajectory of the welfare state in Algeria, that it introduced serious dysfunction into the economy and the structure of the relationship between state and society due to the mounting, long-simmering political crisis in the country. The effects of this include the failure to liberalize the market and the economy on the basis of competition and transparency, the rise of clientelism, and the expansion of rentier relations.

This is the context in which Algerians took to the streets in large numbers in February 2019, as part of a popular movement rejecting the reelection of President Bouteflika for a fifth term. This moment illustrated in the clearest terms the termination of these rentier social contracts between a society that wanted to move forward and a regime crippled by stagnation. The popular movement constituted a new dynamic and a historical call for transformation, rejecting the accommodations the regime has always made with society within the framework of the welfare state: in short, state payoffs in exchange for popular legitimacy.

Conversely, electoral activity after the resignation of President Bouteflika, and specifically voter turnout, reveals declining popular participation. The presidential elections in December 2019 saw turnout of 39.8%; the constitutional referendum in November 2020, 23.7%; and finally, the legislative

elections in June 2021, just 23.03%. This is the most crucial indicator of society's engagement with the regime's choices and the fate of its efforts to market a break with the past with slogans about building "a new Algeria." This reluctance, or boycott even, suggests the existence of a "silent" movement within large sectors of society that benefited from the steady largesse of the welfare state, but nevertheless has begun to withdraw from elections and the regime's choices. This points to a significant, profound transformation in political culture that necessitates a genuine democratic transition that preserves the gains of the welfare state while transcending its contradictions and crises.

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