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Neoliberalism, Liberalism and Development Practice: A Theoretical Exploration in the Context of the Changing Role of the State

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Abstract

Neoliberal measures involve worldwide flows of capital, communication and manufactured goods. The commonly held perception that such laissez faire policies remain confined only to the realm of the economy is a misconception. Neoliberalism builds up networks that make the boundaries of the social world fluid and even more pervasive. The effect of the era of dirigisme on economic inequality has seriously destabilized the hope on the welfare state. Development practice is facing a challenge to prove itself to revive the belief of the people on the state. The 'open' world has a significant effect on local development. The state is also conspicuously facing the challenges of adapting a best practice of welfare service delivery.

Key words: development practice, role of state, neoliberalism, liberalism

Capitalism, today, is the most pervading globalised phenomenon. Hand-in-glove with neoliberalism it has overpowered all indigenous, self-reliant, nationalistic and humanistic cultures, philosophies and economies of the world. Capitalism is now not 'primitive', from state capitalism it has reformed to large corporate capitalism and later on into an invisible as well as invincible, trans-national capitalism. In colonial economic operations, the village market was linked with the town so that the rural may be purposefully exploited but the transnational capitalism necessarily regulates the rural markets so as to enable to control people's choices, tastes, consumption habits and of course production. Cross border free flowing

capital also controls science and technology, markets and management, social institutions, communication and the future of nation-state, civil society and voluntary action.

In a country that is open to the movement of free capital, if the state pursues policies that is disliked by finance, then large amounts of finance pulls out of the country and goes elsewhere. Then the economy faces an acute crisis. In a neoliberal economy, the state is forever caught in an attempt to regain the confidence of the investors. For this state, has to bow to global finance capital with which domestic capital is intrinsically linked. This poses a threat to the functioning of democracy. The state follows policies that satisfy capital not the people. What more, no

matter who comes to power the trend in policies remain same. People's choices and hence elections become irrelevant.

Capitalism and Democracy

The conditions for democracy rests on the following theoretical understanding, first, democracy is a form of government that is likely only in the market economies or capitalistic economies, second, democracy is more likely to be sustained in wealthy or economically developed societies, third, democracy evolves in societies where there is a well-established tradition of compromise politics and of acceptance of checks and balances on central power (Kohli, 1986). Thus both the liberals and the neoliberals readily admit that there is a historical and logical connection between capitalism and democracy (Lindblom, 1977; Huntington, 1984). According to the historical view, the rising business classes successfully tamed the monarchical state by replacing the aristocracy by a government of 'wealthy commoners'. Later, under the pressure of organized working classes the government had to be formed by a legally equal citizenry. The logical reasoning is also apparent in the historical linkage. Capitalism is an economic system that is based on private property and provides a fundamental check on state power by separating the private and the public sphere. This division separates political equality from economic inequalities and lays the basis for legitimate elected governments in inegalitarian societies in the hope of modifying inherent inequalities through the use of democratic state power (Marshall, 1964; Moore, 1977). The political theorists have identified a number of characteristics of industrial economies that may help in evolving and sustaining democracy. Relative wealth laid the basis for the welfare state which in turn, tamed class conflict. In wealthy economic systems, the struggle for power is not also

seen as a zero sum game. As a result the losers are less likely to pursue political mobilization. Another strand of theorists believe that democratic institutions took shape prior to industrial capitalism as these institutions provided a framework to accommodate the demands of a new social class. For example England's feudal past have contributed to its later democratic evolution (Gilbert, 1975).

A popular and well-established line of thinking suggests that the process of industrialization and economic development is an inherently unstable one. From Durkheim through Parsons and Semler to Huntington, numerous scholars have concluded that the transitional stages between tradition and modernity are often characterized by social disorganization. The explanation for this state of affairs is thought to rest on the corrosive impact of economic development on a society's established beliefs and patterned behaviour. If new patterns of 'integration' do not keep up with the process of 'differentiation' then it results in social disorganization.

Liberalism and the role of the state

Liberalism is a collection of related philosophies about the roles and functions of individuals, groups and institutions in managing, directing and controlling the character and progress of human social life (Gray, 1989). It has emerged on the base of eighteenth century Enlightenment and a number of socio-political changes that had taken place during that period like the demise of the monarchy and the rise of the parliament, the decline of the church and the rise of religious individualism, the growth of capitalism and the shrinking of the agricultural economy and the rise of science as the litmus test of progress and development. In 1690, Locke said that Liberalism believes in the 'natural rights' of

men – to live as you wish, to act as you will and to amass what you can and these rights precede the organization of society, then it follows that no social body can legitimately interfere with them. Individualism is to be the tying force between the state and the society. All are equal before the state, the law should be rational not personal or spiritual (Paine, 1791; Wollstonecraft, 1795). A parallel interpretation that was necessary was about the moral basis of the government as natural rights could well bring in chaos. The response was that the government should act only in the interests of the individual and that the government had no wider role in the regulation of civil life. The government should maintain a legal framework in which the greater majority of the people could pursue their life's goals without undue interference from others. The 'invisible hand' and a minimalist state has been analysed clearly in Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1776. It is a treatise on how self-interest leads to social harmony through the mechanism of market demand. This leads to a moral justification of pursuits of individual interests of wealth accumulation (Heilbroner, 1986). The inequities of wealth, status and education in Liberalism can be reformed by civil laws and by teaching the citizens how to manage his household and labour and to know his rights and duties (Condorcet, 1955). But his proposal gave rise to a politics of exclusion later on. Liberals promoted formal equality before the law but did not promote substantive equality. Liberal thinkers like J.S. Mill (1948) and Alexis de Tocqueville (1946) were fearful of the tyranny of the majority. That the local governments can act as check against the tyranny of the centre was emphasized by Mill very clearly. Liberalism developed the casework method of tendering assistance and focused on the circumstances

of each individual rather on each individual himself. Its form of social administration supported the tenet of economic individualism. The second wave liberalism experienced a change in its philosophical belief and nurtured certain paternalistic values in part by the experience of charitable work and a mistrust of democracy (Morgan, 1975).

Influenced by *The Origin of Species* by Charles Darwin, some liberalists proposed that organized bodies of the state functioned like the organs of a living creature. Individual interests get subordinated to group interests in order to promote the welfare of the whole (Kidd, 1894; Durkheim, 1893, Pearson, 1905). Nation-state emerged strongly as the basis for social progress and social reform. The nation-state, in order to compete in the imperialist world, had to keep its citizens healthy and fit. Conversely individuals thrived when the society functioned well (Samuel, 1902). Liberal Managerialism viewed the state as a 'directive intelligence' in a risky and uncertain world, encouraged technocracy, opportunity and efficiency (Keynes, 1927; Beveridge, 1936; Watson 1957) whereas the liberal radicalism focused on social pluralism, community and tradition (Berlin, 1990; Rawls, 1971; Taylor, 1989). In liberalism 'equality' implied the right to be unequal-an equality of opportunity that promoted inequality of outcomes.

Neoliberalism and the role of the state

The economic and political crisis of the Keynesian Welfare State in the 1970s brought in a number of responses from the new liberal philosophy. Public expenditure had increased steadily without corresponding increase in taxation revenue. There was also concerning inflation. The Oil crisis followed by international recession worsened the situation. Hayek was another was another important social thinker of the

time. The central philosophy in Hayek's work was 'freedom', but in a negative sense, as an absence of coercion upon the activities of the private individuals. Hayek's theory directly attacks the concept of 'reason'. We can never understand the whole world. *Tacit knowledge* develops in to the evolutionary process through cultural practices and gets embodied into certain institutions. The spontaneous order that prevailed in the eighteenth century was the process of socialization in the family, community and economic life. Thus planned and organized institutional arrangements destroyed the spontaneity. It was proved that the state was always less efficient than the market. Only the price mechanism could satisfy people's preferences because of the social dispersion of 'tacit knowledge'.

The state was not be allowed to redress inequalities blown out by the market because according to Hayek, market outcomes were not to be considered unjust and moreover this went against freedom. Rather than supporting the 'rules of conduct', the state wields an ever increasing power over its citizens. He also believed in the *trickle down* distribution of wealth. The role of the state in development was that it should not lead to monopoly of a service provider but must also engage the private and charitable service deliverers (Hayek, 1960, 1979, 1988).

The noted economist Friedman supported Hayek's thoughts and spelt the doom of Keynesian economics which formed a guarantee for the moral basis of state intervention in the 1929-33 economic depression. However combination of high inflation, increasing unemployment and a very low economic growth exposed the weaknesses of Keynesian economics (Gamble, 1985). Extensive state intervention in welfare creates a class of bureaucrats who have a vested interest in further expanding the activities of the state. Thus state services

benefits producer groups more than consumers who become all the more dependent on the state as they lose all their individual initiative for self-maintenance. This breaks down the moral fabric that is the basis of bonding of the society. Moreover, social insurance is seen as a tax on the employment thus raises employment costs. By paying taxes for benefits people are deprived of the opportunity to look for alternative arrangements through the market and have no choice other than to take what the state provides.

Buchanan (1978) applied the public choice theory to argue that voters did not have the expertise and the information to select the state representatives. In fact the people were presented with a *ragbag* of policies to suit particular groups (Harris and Seldon, 1979). The solution was in the de-socialisation of the public sector and a return to the provision of services by the private after means-testing the solution. Reemphasizing the themes of 'freedom' and 'responsibility', Green proposes that the mainspring of a free and democratic society is the individual's sense of personal responsibility which is characterized by self-control, independence from government and duty towards fellow citizens. This made possible a 'community without politics' and it also encouraged a society the concept of 'duty without rights' (Green, 1996). The 'therapeutic' state often stigmatized the receivers of benefits seen as 'victims'. This has destroyed the moral framework in which civic associations functioned. Green emphasized that social solidarity generated by a moral community and civic associations are formed through legal, organizational and cultural measures. The legal system was to be outside the political system and there was to be complete independence of the charitable and voluntary institutions. Personal responsibility in family life would bring in a

shared responsibility of males in family affairs. Public policy must strengthen the ethical principles and moral behaviour to restore the civic life as a central actor in social life.

Development Practice and the role of the state

Development practice has a direct attachment to the state. In what way the state will deliver and ensure that all of its citizens are enjoying a minimum way of life depends on the politico-economic changes in the country. Thus it is expected that the practice of development will also adapt itself to the changing institutional structures. In the era before Enlightenment social and political hierarchy was ordained as determined by God and it was completely natural. With the coming of Enlightenment, hence modernity, ideas about the natural world shifted from the divine to the secular. Reasoning and intellect substituted God's will (Howe, 1994).

With the popularity of liberalism against conservatism and radicalism, different forms of the welfare state emerged in USA, Western Europe, Australia, New Zealand and Kerala. Actually the encouragement towards the establishment of a welfare state was a strategy to assist the European societies to smoothly transform from a localized, traditional and feudal economy to an industrialized and modern economy (Pierson, 1998). It was believed that the state, along with the development of social sciences, would gradually transform the society in to a just and well-ordered entity. The state thus not only tried to smoothen out the bumps of capitalism but it also facilitated the continuance of capitalism. The state tried to support the interests of some small groups in the welfare of the society because it was assumed that the state worked for the welfare of the society through public expenditure,

government intervention and an efficient legal structure. It would also redistribute wealth. The state formed social laws and also shaped personal lives. Development practice also found newer channels of work with the newer roles of the state. Development practitioners occupied a significant space between the family and the individual and between the state and the society.

States in many developed countries have experienced changes in key social institutions and hence in its role (Harris, 1999). The assumptions about the protective guardianship of the state did not hold any further. Occupationally based income redistribution has become unstable now and incapable to meet the needs of the people (Gilbert, 2002; Goodin, 2000). Other factors like falling fertility rates, rising life expectance rates and low morbidity has precipitated the financial crisis in the welfare state (OECD 1995; World Bank, 1994). Increasing responsibility of the state towards welfare expenditure has raised the expectation of the population. Economists had repeatedly warned the looming macroeconomic crisis of the state and proposed a shift towards individual responsibility of welfare (Hoopark and Gilbert;1999). Globalisaion with its usual characteristics of high capital mobility, growth of transnational corporations and sophisticated information technology has brought about with it retrenched welfare expenditure and restricted labour rights. That the state is the best to solve social problems have been undermined (Taylor and Goody, 2001). As a parallel thought the moral validity of welfare has been questioned. And taxation as a source of revenue to disburse welfare has also been argued (Goodin, 2000). A variant of this thought is the proposition that welfare is a 'moral hazard' where the welfare state encourages free riding and in some cases

even cheating (Lindbeck, 1995). Another factor that has undermined the role of the welfare state is that it creates disincentives in production where the productive units become too much dependent on the state (Mead, 1986; Murray, 1994). The public intelligentsia has come to terms with the softer role of the state in removing poorness (Adams, 2000; Fincher and Saunders, 2001). The new welfare regime will be much inferior to the one already experienced. There will be a growing acceptance of menaces like poverty, inequality and unemployment as obvious fallouts of modernization and understanding of the idea that collective responsibility is not to work anymore. State delivery will be replaced by markets, social justice and equality will be replaced by commitments to individual freedom and choice, autonomy and responsibility (Ferge, 1997). The new regime will replace public delivered benefits to selective approach to private delivery of support and services. The aim will be to increase labour force participation within the framework of individual management of risk (Gilbert, 2002). The welfare state will not destabilize, it will only adapt itself to the changing contexts as the 'past does not offer a helpful guide to the future) (Khulna, 2000, 2001, p.188).

With reference to development practice it can be understood that in the preceding era the state communicated a particular relationship with its citizens, one in which it cared for and took some accountability for the effects on citizen's life. The present position taken by states is that the citizens are responsible to it as a society as a whole. This necessitates a significant institutional change (Bouma, 1998). Institutions in development practice constitute human service organisations, their employees (the government, market and the non-profit sectors) and other interested groups (social policy makers, social workers, social

researchers etc.). Institutional change thus necessitates changes in the functioning and logic of its constituents (Galvin, 2002). Friedland and Alford (1991) mention 'value spheres' as developed by Weber referring to the cluster of values nested within the overall logic of a system. The value spheres provide the basis for patterns of development practice shaped according particular value spheres. Particular interpretative frameworks, logics and rationalities develop. The role of the welfare state should be to give certain development practices the professional legitimacy to *exist* and *act*. The extent of *normative isomorphism* (people holding similar value frameworks and passing them onto others) determines the extent of success of institutionalization and re-institutionalisation (Jepperson, 1991).

Development practice has an adorable attachment to the welfare state. The institutional instability and changes associated with neoliberalism calls for a reemphasis of development practice. The importance of the bottom-up participatory attitude towards development is strongly related with the core method of 'community development' practice (Parfitt, 2002, Ahmadi, 2003). However, economic goals should actively be conditioned by social perspectives to avoid 'distorted development' which is seen in the existence of high levels of poverty with high levels of welfare expenditures. Instead of remedial and ameliorative social programs development practice should encourage policies that continue social investment.

Conclusion

'Social Welfare' is a label for a complex and unstable mixture of relationships, experiences, processes and structures. The means by and conditions through which individual and collective welfare are achieved or undermined are the focus of

intense political action and social struggle. The new world order creates problems for the development of social policies and development practice. Welfare policies can no longer limit itself only to the national arena but must address the connections between the local and the global. There cannot be a single, total or complete theory of the role of the state. However, the state has re-emerged and has put governance as a central element in development, through a

focus on the interrelation between the state and its citizens in terms of duties and rights. Theories embedded in the Rights Base Approaches draw attention to the basic obligation of the state to take care of its most vulnerable citizens, including those not able to claim their rights for themselves.

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