
UNIT 5 NEO-LIBERAL PERSPECTIVE

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5.0 LEARNING OUTCOME

After going through this Unit, you will be able to:

- Explain the meaning of Neo-liberalism and trace its evolution as a concept
- Discuss its situational context, especially with reference to Thatcherism and Reaganism
- Enumerate and discuss the key tenets of the Neo-liberal view of the State
- Examine the Neo-liberal impact on the discipline of public administration; and
- Provide an overview of the Neo-liberal framework

5.1 INTRODUCTION

The Neo-liberal perspective or ‘New Liberalism’, as it is generally called is currently the reigning deity of social science discourse. Other perspectives including the fairly popular one of State Welfarism have retreated in the face of consistent and persistent assault of the Neo-liberals. Possibly, the most poignant irony of the situation is that post-1989 (disintegration of the former Soviet Union), even the erstwhile communist countries (excluding Cuba and North Korea) have no qualms in singing the Neo-liberal tune.

In this Unit, therefore, you will be reading in some detail about Neo-liberalism and its contemporary context. It is important to mention right at the outset that some of the concepts and themes that are currently in vogue, viz., the New Right, Neo-Conservatism, Public Choice theory, and ‘globalisation’ itself, are all closely related to and arguably, a part of the Neo-liberal thinking. Of course, there are subtle differences among these which you will read about in the other Units of this Course.

In this Unit, we shall touch upon them only to the extent that the ethos of Neo-liberal thought becomes clearer to you.

5.2 BACKGROUND OF NEO-LIBERAL PERSPECTIVE

The Neo-liberal perspective is not something that has suddenly come upon us. It is, on the contrary, the latest stop in a long journey going back in time to ‘pure’ or ‘Classical’ (negative) Liberalism, onwards to positive Liberalism, Welfarism (Welfare State) and then only, we have reached where we have, today. In a way, the wheel has come a full circle. The Neo-liberal’s conception of the minimalist State approximates Classical Liberalism’s emphasis on the State being a mere protectionist (law and order) outfit leaving the individuals free to pursue their self-interest in a manner deemed the best possible by them.

Just as early positive Liberalism and its later variant, the Welfare State, were a reaction to the ‘excesses’ of Classical Liberalism, Neo-liberalism has come about as a consequence of disenchantment with the Welfare State. About roughly, a little over two decades ago, liberal democracies the world over (India included) started voicing disillusionment and, in fact, outright frustration with the hitherto dominant paradigm of the Welfare State. It was increasingly perceived that the liberal democratic Welfare State had not really achieved what it had initially set out to do. Income disparities and other socio-economic inequities had become the general scenario. Rising unemployment and under-employment had led to a spiralling crime graph. The gulf between the elite and the masses had become too noticeable and could no longer be brushed under the carpet. The rulers, comprising both the political executive and the bureaucracy, had become too corrupt, bloated, lethargic and manifestly insensitive to the common citizens’ aspirations. To make matters worse, the State’s tentacles had spread everywhere and this had made life claustrophobic for the masses. Countries such as the United Kingdom (UK), the United States of America (USA), France, India and the like were, in fact, said to be suffering from ‘over-statism’.

At the same time, a parallel and no less significant development was the fact that the State concretely speaking, those in positions of public office came to strongly believe that the vast array of welfare measures had only vetted the appetite of the general public for more and more of populist sops without any commensurate obligations and duties towards the State. Politics of competitive populism had thus, come into being, overloading the governments of the day. Those exercising political power also felt that welfare schemes such as the social security system (Safety Net) in countries such as the UK and France were being abused by the citizens. A related fact compounding the problem was that the State viewed welfare measures such as the Unemployment Dole (a vital component of social security) as an unnecessary and avoidable drain on its limited financial resources. The idea implicit here was that the citizens should take personal initiative to improve their lot in life rather than expecting the State to bail them out all the time.

Thus, by the late 1970s to the early 1980s, a bewildering situation had emerged wherein the citizens had become disenchanted with the State and the State with the citizens. It was against this intriguing background that Neo-liberalism emerged as a powerful idea and practice, especially in the United Kingdom. It is to the emergence of this new perspective on Liberalism that we turn our attention now.

5.3 NEO-LIBERALISM: EMERGENCE

In the preceding Section, we pointed out how by the mid-1970s and extending upto the middle of the 80s, a situation had emerged where there was an extreme degree of anger and disenchantment with the Welfare State in liberal capitalist democracies and that the State too was angry and perplexed with the citizens' seemingly never ending demands and disinclination towards improving their lot through private initiative. It was against this general background that Neo-liberalism emerged as a theory and practice in the UK, the USA and other western democracies. Here, we deliberate in detail about the coming into being of the Neo-liberal or the New Right paradigm.

5.3.1 Troika of Hayek, Nozick, Friedman

The Neo-liberal State, largely came to be seen as a concrete manifestation of the New Right philosophy that emerged in Thatcherite England in the late 1970s. (Alternatively, one can say that the New Right was a version of Neo-liberalism as it emerged in the UK under its Conservative Prime Minister Margaret Thatcher).

Now, regarding the origins of the New Right, Heywood (2000) has argued that "Its origins and ideas can be traced to the 1970s". "The New Right's growth occurred in conjunction with the apparent failure of the Keynesian Welfare State, signified by the end of the post-war economic boom and increasing concerns by the political elite over social breakdown and the decline of authority. The term 'New Right' was first attached to a group of monetarists from Chicago University, who were inspired by the writings of three eminent economic and political thinkers. Friedrich von Hayek, Robert Nozick and Milton Friedman".

Although the seeds of New Right thought can be traced back to the 18th and 19th century classical political economists such as David Ricardo, John Stuart Mill, and most notably, Adam Smith, author of *The Wealth of Nations* (1796), it is the trinity of Hayek, Nozick and Friedman that is most fundamentally associated with the New Right. We discuss these three here:

Friedrich von Hayek

Hayek was an 'anti-modernist' who severely critiqued planning and collectivism in his most famous work, *The Road to Serfdom* (1944). Hayek's work is centred on four core ideas. These are:

i) Wrongness of Planning

Hayek argued against planning on the grounds that it was 'both politically dangerous and economically inefficient'. This was so because 'centralised economic planning by the government reduced individual and group liberty, upset the balance between political institutions by making the executive too strong, and undermined the rule of law'.

ii) **Society's Complexity**

Hayek strongly believed that State intervention in the form of measures such as social engineering (focused social security measures for the disadvantaged), as advocated by the Left would upset the 'spontaneous natural order' that existed in society and 'which was the outcome not of a plan or of a design, but of human behaviour'.

iii) **Primacy of the Market**

Hayek attached primacy to 'the markets and prices for the allocation of resources' as he believed 'that the spontaneous interaction of buyers and sellers was more efficient than the activity of the planners'.

iv) **A Framework for Socio-economic Activity and Upholding the Rule of Law**

Hayek was for a framework in which the 'government had an important but limited role' and this was 'to uphold the rule of law, to enable conditions in which the market could prosper'.

It is important to mention that a major part of Hayek's writings were done after 1945 and that 'he attracted controversy in Britain because he challenged the belief in the so-called 'middle way' which combined both freedom and planning, prevalent in the moderate 'One Nation' wing of the Conservative Party and among the Labour Party elite such as Clement Attlee, Hugh Gaitskell and Harold Wilson'.

Robert Nozick

Nozick was one of the late 20th century's most influential thinkers. His last major work was *Invariances: The Structure of the Objective World* published in October 2001. He was a leading American intellectual whose two main works *Anarchy, State and Utopia* (1974) and *Philosophical Explanations* (1981) did much to give a boost to the New Right. He was inspired by John Locke and "his position advocated such themes as a minimal State and a low-tax threshold, and were seen as a direct attack on social democracy, welfarism, collectivism, social justice and 'big government'".

Nozick's offbeat and challenging views made him known beyond the narrow and specialised confines of academia. His first and perhaps, most famous work *Anarchy, State and Utopia*, was a reasoned critique of his Harvard colleague John Rawls' *Theory of Justice* (1974). Rawls' book provided a philosophical underpinning for the bureaucratic Welfare State, a methodically reasoned argument for why it was right for the State to redistribute wealth in order to help the poor and the disadvantaged. Alternatively stated, Rawls' main argument was that 'inequalities must at least make the worst off better off in order to be morally justified'. Nozick, in contrast, argued 'that the rights of the individual are primary and that nothing more than a minimal State sufficient to protect against violence and theft, and to ensure the enforcement of contracts is justified. In other words, a distribution of goods is just so long as the distribution was brought about by free exchanges by consenting adults, even if large inequalities emerge from the processes. It may interest you to know that Nozick won the National Book Award (1975) for his work and the book was named by the Times Literary Supplement as one of the 'hundred most influential books since the war'.

Nozick, in fact, started off as a radical left ‘who was converted to a libertarian perspective as a graduate student, largely through his reading of conservative economists Friedrich Hayek and Milton Friedman’. We should, however, mention that Nozick ‘was never comfortable with his putative status as an ideologue of the Right’. He explained his position in an article in *The New York Times* in 1978: “Right-Wing people like the pro-free-market argument, but don’t like the arguments for individual liberty in cases like gay rights – although I view them as an interconnecting whole ...”

The political and social philosophy of Nozick comprised the following components:

- 1) Entitlement Theory
- 2) The Wilt Chamberlain Argument (the Self-ownership Argument)
- 3) Absolute Property Rights and Self-ownership
- 4) The Lockean Proviso, and
- 5) Beyond Self-ownership.

It is beyond the scope of this Unit to go into the details of these integral constituents of Nozick’s basic theoretical framework. A few lines about each of the five would suffice. Starting with his ‘Entitlement Theory’, this is premised on the core idea ‘that only free market exchanges respect people as equals – for him as ‘ends in themselves’. In other words, ‘even if a free market did not, for instance, produce the most overall well-being in Nozick’s view, it would be justified’.

The ‘Self-ownership Argument’ takes off from Nozick’s ‘Entitlement Theory’. The Argument for example ‘is supposed to show intuitively that no “patterned” theory of just distribution is defensible’. The ‘Self-ownership’ Argument is an elaboration clarification of the ‘Wilt Chamberlain’ arguments. The ‘Self-ownership’ thesis is based on the idea that every human being is unique and an end in him/her self. ‘To say that a person is an end in herself is to say that she cannot be treated merely as a means (*emphasis added*) to some other end. What makes a person an end is the fact that she has the capacity to choose rationally what she does. This makes people quite different from anything else, such as commodities or animals’. The importance of the ‘Self-ownership’ Argument is that it ‘tries to show that redistributive taxation (advocated by Rawls and his ilk) is equivalent to using people as mere means, that is, not consistently with their self-ownership, since it uses them without their consent’.

‘The Absolute Property Rights’ and ‘Self-ownership’ component of Nozick simply follows from the above. Simply stated, ‘if we own ourselves absolutely, then we own what we produce absolutely’. The Lockean Proviso is an intellectual device by Nozick to tackle the issue of legitimacy of an initial acquisition made by a person. ‘The Proviso’, in essence, is that ‘natural resources, such as land, come to be rightfully owned by the first person to appropriate it, as long as she left “enough and as good” for others’. The ‘Beyond Self-ownership’ component of Nozick’s theorising concerns itself with ‘what further sorts of arguments are there for unrestricted property rights that go beyond mere self-ownership’.

As we have mentioned already, we need not go into a fine combine of Nozick’s admittedly complex theoretical formulation. His socio-political philosophy must have

given you an insight into the Neo-liberal perspective, whose another major advocate has been the economist Milton Friedman.

Milton Friedman

Friedman, a 1976 Nobel Prize winner for excellence in economics has been one of the foremost advocates of economic freedom and free enterprise. He rose to prominence from 1960s onwards and is known most for being an unabashed champion of the free market economy. His ideas are chiefly outlined in his *Free to Choose* (1980). Friedman attacked the inefficiency of Keynesian driven Western governments and pointed to the glaring failure of State sponsored welfare measures. He stood for the benefit of low taxes; the need to denationalise (private) and deregulate industry and services; and the abolition of rent controls, minimum wages, regional and industrial subsidies and employment legislation. All the above were seen as barriers to the efficient working of a market economy. Friedman argued that government's role should be limited to providing law and order, defence and of essential services. Capitalism, the voluntary interaction between buyers and sellers of goods and services, created economic freedom, which in turn was essential for political freedom.

Friedman advocates limited government. Friedman shares Thomas Jefferson's view that the government which governs the least is the best. As per this framework, any government should have just *three* primary functions; that is, (1) a country's military defence, (2) enforcing contracts between individuals; and (3) protecting citizens against crimes against themselves or their property. Friedman observes that when government – in pursuit of good intentions – tries to rearrange the economy, legislate morality, or help special interests, the costs come in inefficiency, lack of innovation, and loss of freedom. The government should be a referee not an active player. His position will become clearer from the following extract from his memoirs *Two Lucky People*.

“My central theme in public advocacy has been the promotion of human freedom. It is the theme of our books *Capitalism and Freedom* and *Free to Choose*, it underlines our opposition to rent control and general wage and price controls, our support for educational choice, limitation of government spending, privatising social security, free trade, and the deregulation of industry and private life to the fullest extent possible. The public has increasingly recognised that government is not the universal cure for all ills, that governmental measures taken with good intentions and for good purposes often, if not typically, go astray and do harm instead of good. We are close to being enmeshed in that ‘network’ of petty, complicated rules (regulations) that Tocqueville conjectured might be the inevitable effect of an excessive drive to equality. There are doubtless many causes for the loss of freedom, but surely a major cause has been the growth of the government and its increasing control of our lives. Today, government, directly or indirectly controls the spending of as much as half our national income. Judged by practice, we have been, despite some successes, mostly on the losing side. Judged by ideas we have been on the winning side. The public in the limited States has increasingly recognised that government is not the universal cure for all ills. The growth of government has come to a halt and seems on the verge of declining as a fraction of the economy. We are in the mainstream of thought, not, as we were fifty years ago, members of a derided minority.”

It will not be out of place to mention here that Milton Friedman's influence was 'most apparent in the U.S. during the Reagan era, as U.S. government growth (especially the federal component of total government), for the first time since the end of World War II, ceased to grow faster than the general economy and government growth thereafter has not yet regained its prior upward thrust, except during a brief period 1993-94 (although the expansion of the State and local government growth continues and needs to be addressed).

Indeed, the Neo-liberal agenda pursued by the late President Reagan was clearly a handiwork of Friedman. In 1980, Reagan appointed Friedman to the select Economic Policy Coordinating Committee headed by George Schultz to develop an action programme once he was elected. Subsequent to the election, Friedman along with Schultz received their 'Economic Strategy for the Reagan Administration' with President Reagan who gave his approval and largely acted along the recommended lines. Afterwards, Friedman was on the 'President's Economic Policy Advisory Board' (PEPAB) which regularly interacted with the late President to run the new economic programme.

Thus, the triumvirate of 'Hayek, Nozick and Friedman is regarded as providing the core for the intellectual growth of New Right ideas'. These ideas were pursued most vigorously, as already mentioned, in the UK under the Conservative (Party) premier Margaret Thatcher and in fact, got so much identified with this Iron lady of British politics that they came to be collectively known as 'Thatcherism' (Likewise, it was Reaganonomics pursued by Thatcher's good friend, the late President Ronald Reagan of the USA).

5.3.2 Thatcherism

In the USA, Thatcherism prospered in a climate of 'delegitimisation of the Keynesian Welfare State' and very easily filled in the political vacuum created by the breakdown of Welfarism in the UK. As indicated, the Thatcherites symbolising the Neo-right/Neo-liberal philosophy-advocated 'the State's withdrawal from both the economy and society and the pursuit of a monetarist, supply side economic strategy' and towards this end, the administration of Margaret Thatcher launched an all out attack 'on what it perceived as an ever-extended, uneconomic, over-bureaucratised State. It pursued a wide-scale privatisation programme, reduced its contacts with actors in civil society and reformed the public sector ... through financial cuts and the implementation of managerialism and market testing'. The Thatcherites aimed at creating an "Enabling State" 'in which business could prosper, but in which the rights of the consumer would be better protected against the demands of the producer'.

Thatcherism, like all the 'isms' before it and after it attacked the prevailing social-economic structures and the State apparatus. With regard to the economy, it was all for a free market economy, now popularised greatly under the twin impact of liberalisation and globalisation. It is not out of place here to go back in time a little bit, i.e., before the assumption of power by Margaret Thatcher.

After the quite obvious failures of the then Labour government and the multifarious economic problems facing United Kingdom, the Conservative government of Prime Minister Edward Heath 'was elected on a promise of reducing government intervention in the economy, reducing taxation, cutting public expenditure and

reducing subsidies. However, faced with continuing economic problems and by 1972, the collapse in economic growth and the prospect of unemployment reaching one million, Heath abandoned (*emphasis added*) his proto-Thatcherite policy ... The point is that whilst Heath was prepared to adopt some of the New Right's Policy prescriptions, he was still attached to the principles of the Keynesian Welfare State'.

Ultimately, however, the failure of the Heath government to tame the economy and to control the trade unions led to 'unmodified New Right thinking' taking a firm hold among the conservatives like David Howell, Keith Joseph, Geoffrey Howe and Margaret Thatcher. 'From this group, we can see the first real challenge to the dominant, orthodox thinking within the Conservative Party ... When in 1975 Thatcher became the leader of the opposition, monetarist and New Right thinking had a much more consistent impact on party policy, as a response to the perceived failure of the Heath era.

The situation before the Conservative Party was that if it 'was to thwart the steady drift in British politics in an increasingly collectivist direction, then it needed to provide an alternative political programme which would win over the hearts and minds of the nation'. This was Thatcherism.

Apart from the focus on a free market economy, a key element of Thatcherism was State reform, especially civil service reform. For reforming the State, the Conservative governments drew on many elements of New Right thinking and Managerialism. There were concerted attempts to privatise and hive off organisations, to increase the role and impact of markets, to de-layer management and to increase the role of target setting and auditing.

Specific to the civil service reforms was 'a belief that officials spent too long on policy-making to the detriment of efficient management (Adonis and Hames 1994). 'There were *three* pay reforms targeting the civil service: (1) Raynerism (after Derek Rayner, the joint MD of Marks and Spencer); (2) the Financial Management Initiative; and (3) the Next Step Reforms of 1988. It is not necessary for us to go into the details of these reformist measures except to say that they all aimed at making the British bureaucracy less bloated, citizen-friendly and attuned to the dynamics of a free market economy.

The New Right epitomised by Thatcherism of the Conservative Party, first under Margaret Thatcher and later, under her successor John Major (though with modifications) gives a good insight into Neo-liberalism and the Neo-liberal view of the State. These have been more explicitly set out in the Section that follows.

5.4 NEO-LIBERAL VIEW OF THE STATE

Neo-liberalism is premised on four basic postulates. These are:

i) Market Driven Economy

Neo-liberalism believes in restoring the market to its position of primacy, which was lost during the era of Keynesian Welfare Economics. It believes in 'principles of laissez-faire economics' and 'in the sanctity and supremacy of

market mechanisms’ for ‘equitable outcomes’. In other words, ‘the morality of the market’.

ii) **Premium on Individual Liberty/Freedom**

Neo-liberal ethos is all for ‘the maximisation of individual liberty and freedom through the rolling back of the State from the economy’.

iii) **Monetarism**

Neo-liberalism, at least, in the context of the UK held ‘that inflation, not unemployment, was the major problem’ and could be rectified by regulating the money supply.

iv) **Relegation of the Welfare State**

Neo-liberalism believes in ‘cutting back of the Welfare State, which was regarded as shifting the potential of free market and encouraging a culture of dependency’.

It is relevant to mention here that Neo-liberalism as a concept, encompasses the Neo-liberal view of the State, and it is for this reason that we are giving a separate sub-section to the latter.

The Neo-liberals are the advocates of a ‘Minimalist Role for the State’. They are ‘inherently suspicious of the State. They regard State activity as interfering in the natural order of life – be this in relation to the functioning of the market or the way in which social relations within society are formed and played out’. The basic tenets of the Neo-liberal State are as follows:

- **Focus on Individual Liberty**

The principle of individuals not having the right to coerce each other should be extended to the State, ‘which after all is only an amalgam of individuals.

- **Greater Innovation**

Greater freedom greater innovation and progress; innovation would not occur where the State owns or controls the means of production.

- **Importance of Incentive**

Incentive is greatly motivating, while State intervention leads to ‘caution and inertia’.

- **Significance of Free Markets**

Free markets are conducive to ‘social coordination’. ‘Unlike a totalitarian State, a market economy evolves unconsciously, without depending on coercion, by relying on millions of individual actors constantly responding to price signals’.

- **More Freedom**

Planned societies are less free. They involve social engineering – the (former) Soviet Union being a classical example – but social engineering in whose interests? Free markets promote freedom.

- **Social Justice**

The Neo-liberal view of the State perceives ‘social justice carried out by the State to be inherently unfair’. This is because ‘certain individuals enjoy rewards they do not deserve, while others have rewards removed that they should be entitled to’.

- **Pro-consumer Stance**

State power can be unfairly monopolised, as interest groups form and are granted special treatment. The natural workings of the market are then upset. Monopolised State power adversely affects consumers. ‘They pay more and get less, as agencies of the State become increasingly captured by the individual interests of particular interest groups’.

The above, then, is the essence of Neo-liberalism and the Neo-liberal view of the State. Our discussion of the Neo-liberal perspective will, however, not be complete without some reference to Neo-liberalism impacting upon the discipline of Public Administration in the last two decades. We will discuss this now.

5.5 THE IMPACT OF NEO-LIBERAL PERSPECTIVE ON PUBLIC ADMINISTRATION

In the earlier Sections, we have made references to the disillusionment with the bloated, lethargic government and heavy Welfare State in capitalist democracies from the 1970s onwards, and how this led to the rise of the New Right philosophy manifested in Thatcherism in the UK and Reaganomics in the USA. The discipline and practice of public administration was also touched by these new developments and is mainly reflected in Civil Service Reforms going by the jargon of New Public Management.

The breakdown of the Keynesian Welfare State was in a large measure, attributed to the monster-like civil service of post-war Great Britain. It was recognised that unless the civil service was reformed from within and without, there was not much hope for either the State as an institution or the citizens. The civil service had to be pruned down (made less flabby) and simultaneously, it had to develop a new mindset and work culture. This cognisance of the need for reforms in the civil service led eventually to what is now established as the New Public Management or the NPM.

We will read about the paradigm of NPM in our later Units 14, 15 and 16 of this Course. Suffice is to say over here that those who propagate NPM stand for superiority of the market, and responsive administration, new parameters for performance evaluation, result-orientedness, new technology, consumer-orientedness and enhanced audit. The object is to make public sector receptive to the markets, responsive to the people, flexible in structures, adaptive to new technology and capable of accountable and transparent processes.

So now that we have deliberated upon the Neo-liberal perspective, what do we make of it? Has the Neo-liberal State come to stay for good? If we take the whole world as our stage, it certainly looks that Neo-liberalism and the Neo-liberal State are firmly entrenched and cannot be simply wished away, not even by diehard leftist radicals. The world over, the State seems to be ‘retreating’, ‘withdrawing’ becoming ‘minimalistic’. However, this retreat or whatever other expression we may choose to call it by, is highly nuanced. This nuancing needs to be taken due cognisance of, as it seems to have been missed by many, including those in the know of it. And this is that while the State is distancing itself from Welfarism, in a lot of respects, it still has an overwhelming presence in our lives. Of course, there is admittedly less of the government than say it was two decades ago, but the overarching reach of the government is still very much there. In other words, the Neo-liberal State seems to be steering in the direction of government minus Welfarism. A state of affairs that ‘pure’ Neo-liberals would not really approve of. For governmental (including bureaucratic) heaviness is against the very tenets of Neo-liberalism.

Coming to the desirability of the Neo-liberal creed, certainly less of State in the sense of less of the government is something worth trying hard for. However, the State’s total withdrawal from welfare measures should be unacceptable. In a number of countries around the world, including India (which also is seemingly, if not yet fully, on the Neo-liberal path) millions of the deprived and the marginalised are still not in a position to undertake private enterprise for self-development. In such a situation, a ‘reluctant bridegroom’ attitude on the part of the State is a sure-shot recipe for widespread deprivation and worse, social anarchy. The State’s argument of limited financial resources (needed for subsidising the poor) does not carry weight, when viewed against the fact that it has failed to proportionately tax the rich – a flexible strategy for raising finances for developmental activities. In developing societies, the political left, especially, has been vociferous against the State’s apparent withdrawal. Witness the Indian Communist parties’ strong opposition to the disinvestment issue (The sale of 10 per cent government stake in BHEL, for instance).

The recent accent on New Public Service, Democratic Citizenship, and Community Participation is providing different dimensions to the New Right philosophy. We will be reading about New Public Service, Organisational Humanism and all the related concepts in Unit 15. Neo-liberalism can then become a viable and potent ideology if it adopts a human face. That is, its goal should be less and less of government in an administrative-bureaucratic sense, but the reverse should apply with regard to the welfare aspirations of the common citizens. This is a challenging task, but Neo-liberalism’s success or failure in the long-run centres on meeting this curious challenge.

5.6 CONCLUSION

In this Unit, we have read about the Neo-liberal perspective. The meaning of Neo-liberalism has been explained at length. We have also discussed how the Neo-liberal State has emerged. The influence of three leading thinkers – Friedrich von Hayek, Robert Nozick and Milton Friedman has been brought out. The arrival of the New Right with special reference to the UK has been touched upon in the Unit. Thatcherism – the practice of Neo-liberalism in the UK under the Conservative Prime

Minister Margaret Thatcher – has been discussed. The Unit also briefly refers to New Public Management (NPM), the concrete manifestation of Neo-liberalism in the arena of public administration. Finally, the Neo-liberal view has been critiqued and evaluated. We hope that now you will be in a better position to comprehend the different shades and hues of Neo-liberalism and apply your knowledge to grasp the working of contemporary liberal democracies.

5.7 KEY CONCEPTS

Free Market

It is an economic situation where forces of supply and demand are allowed to work without any restraints. It is a set of arrangements where people can voluntarily buy and sell goods and services without interference from the government.

Next Step Agencies

In the U.K. in 1986, an Internal Report by the Efficiency Unit to the Prime Minister criticised the time spent by senior officials on policy matters and the effectiveness of unified civil service to conduct government business. This Report was referred to as 'Next Steps'. As a response to this, semi-autonomous agencies known as Next Steps Agencies were set up to undertake executive functions of the government. A broad range of agencies were created, with an accountable chief executive, entrusted with the provision of making the civil service function like a business enterprise. The objective of creating this was to improve policy implementation by separating it from policy making.

Public Choice Theory

It is a branch of economics that studies the decision-making behaviour of voters, politicians and government officials from the perspective of economic theory. A basic argument of Public Choice is that an individual actor, be it a manager or a client, is a utility maximiser who is always in search of increasing net benefits. It stresses on methodological individualism, decentralisation, democratic administration and organisational competitiveness.

(Mohit Bhattacharya, 1999, *Restructuring Public Administration*, Jawahar, New Delhi), and

en.wikipedia.org/wiki/public-choice-theory

Rawls' Redistributive Taxation

John Rawls believes that democracy is required by justice, because as a procedure it complies with the tenets of justice. Rawls argues for inheritance taxes on the basis that an unregulated transfer of wealth from people to their children would result in the entrenchment of wealth in particular segment of society. Ignoring the right that people have to bequeath wealth to whomever they want, Rawls contends that society should equalise the prospective of the least well off by taxing the undeserved inherited gain of children of rich persons and using the tax proceeds to aid the least well off.

solohq.com/articles/younkins/john-rawls-theory-of-blind-justice.htm.

Safety Net

The health care system of each State that provides care to people, even if they do not have health insurance or money to pay for the health care. Safety Net comprises doctors, nurses, public hospital staff, non-profit community hospital, community-based and school-based health centres, public health clinics and private practitioners. The definition of Safety Net has broadened over time to include old age security, unemployment roles, minimum mandays of work in a year for the workless, compensation for downsized employees, pension schemes etc. In an organisation, especially a safety net provides professional and financial security to the employees. It could include insurance, pension and financial benefit schemes.

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www.news.harvard.edu/gazette/2002/01

www.missouri.edu/phl/rnj/nozick/htm

5.9 ACTIVITIES

1. Review the available literature on Neo-liberalism and then, examine whether the contemporary Indian State can be considered a Neo-liberal State.

2. Try to interview some government/public sector officials on the implementation of New Public Management approach in their organisation and make a note of their experiences.