
UNIT 14 IMPACT OF GLOBALISATION ON PUBLIC ADMINISTRATION

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14.0 LEARNING OUTCOME

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

- Explain the concept of globalisation
- Analyse the impact of globalisation on public administration
- Highlight the emerging challenges of public administration in the globalisation era; and
- Examine the reshaping of globalisation in the context of growing concern for global justice and accountability

14.1 INTRODUCTION

Globalisation, the buzzword in present times, stands for global spread of goods, services, technology, ideas and processes. Its important accompanying features are momentous changes in the nature of the States, governments and societies coming under its influence. Market forces are asserting a key role over the traditional functioning of the State and especially its welfare orientation. As the States are *de facto* getting economically, financially and culturally integrated, the public administrative system as

the central regulating mechanism of a country has been facing a novel situation, when it has to interact with a network of supra-national organisations and shed its traditional insularity to steer the State as one of the many members of an intensely interactive group. In this Unit, we will try to explain the concept of globalisation and examine its impact on public administration generally and on the developing countries particularly. The structural adjustments taking place globally are posing new challenges for public administration in several ways. These will be highlighted in the Unit. In the present context, changing notions about globalisation and increasing concern about how to reshape it have become prominent. This Unit will cover some of these issues with special reference to the question of global justice and accountability in an international situation that does not present a level-playing field for most of the weaker States.

14.2 CONCEPT OF GLOBALISATION

Globalisation is ushering in far-reaching changes in the political, economic, social, and cultural spheres across the world. Globalisation refers to the multiplicity of linkages and interconnections between the States and societies, which make up the present world system. It describes the process by which events; decisions and activities in one part of the world come to have significant consequences for individuals and communities in quite distant parts of the world. Globalisation can be understood in terms of two distinct phenomena: ‘scope’ (or stretching) and ‘intensity’ (or deepening). On the one hand, it defines a set of processes, which embrace most of the globe or which operate worldwide hinting at a spatial connection. On the other hand, it also implies an intensification of the levels of interaction, interconnectedness or interdependence between the States and societies, which constitute the world community. Accordingly, alongside the stretching, goes a deepening of global processes (McGrew and Lewis, 1992).

Globalisation, some consider, has received the boost due to technological developments and market-driven economic development. Globalisation is bringing about interdependence between Nation States. It is said to create a free atmosphere for administrative, political, socio-economic, cultural and technological changes. Globalisation involves domains of activity and interaction that include the economic, political, technological, military, legal, cultural and environmental. It implies, from an economic perspective, removal of trade barriers, and large-scale entry of multinational enterprises engaged in Foreign Direct Investment.

Sociologists perceive it as a multi-dimensional phenomenon, encompassing various processes in the arena of politics, culture, technology, economy and so on. Anthony Giddens (1999) defines globalisation as ‘new’ and ‘revolutionary’, and is mainly due to the ‘massive increase’ in financial and foreign exchange transactions. This has been facilitated by dramatic improvements in communication technology, especially electronic interchange facilitated by personal computers. The Organisation for Economic Cooperation and Development (OECD) (1995) has defined globalisation as a shift from a world of distinct national economies to a global economy in which production is internationalised and financial capital flows freely and instantly among countries.

There is a mixed response towards the impact of globalisation on different countries. The proponents consider the developments caused by globalisation including expansion of trade, production, markets, investment, and technology as giving a push to the economies. This is said to result in employment opportunities, better living standards, and prosperity, collaborative arrangements, networking and so on. The opponents point out its negative repercussions as high levels of poverty, job lay offs, lack of employment

for unskilled labour, increased economic inequality, subsidy cuts, and environmental problems, especially in developing countries. Hence the world over, we find stiff opposition from various social forums against globalisation. Income statistics from the US and the UN Development Programme indicate that the combined income of the 400 richest persons in the US is more than the combined national income of 20 African States totalling over 3 million people and is more than the total national income of the 146 million people of Pakistan. It is beyond doubt that global inequalities are on the rise, and are posing a serious concern.

Globalisation is giving rise to new societal expectations, changing value systems, altering the nature of State and governing systems. This is putting pressures on public administration to respond to the widely fluctuating shifts. It is resulting in major changes in the nature of the State. The Information Technology revolution is changing the complexion of tasks of administration. There is a widespread acceptance of the significant role being assigned to the corporate sector due to the removal of trade barriers. The managerial orientation in governmental operations and a change in the role of the State from being a direct provider to regulator as well as the provision of an enabling environment to private sector are also assuming pertinence.

Cerny (1994) observes “In a changing globalising-international and transnational environment, the State has been not only an agent of its own transformation, but also a major source of development of globalisation itself”. Neo-liberalism, as we have discussed in Units 1, 3 and 5 of this Course, favours privatisation, economic incentives, reduction of expenditure on public goods etc., which have expedited the process of globalisation.

Globalisation has affected public administration due to the impact of pressures generated on it by global institutions, information technology and increasing concern for efficiency and productivity. The pressures exerted by global institutions are immense. These are defined as the pressures exerted by a formalised institution with a global jurisdiction that has authority and power over individual countries in a given policy area (Welsch and Wong, 1998). The aid conditionalities imposed have wider repercussions as they increase the developing country's financial, military, and political dependencies on the West. As David Korten (1995) observes, the “Bank-approved consultants often rewrite a country's trade policy, fiscal policy, civil service requirements, labour laws, health care arrangements, environmental regulations, energy policy, resettlement requirements, procurement rules and budgetary policies”. In many developing countries, people, especially have been devoid of any choice of determining their own priorities, and policy preferences. Structural adjustment and stabilisation policies, pursued by several developing countries have been considered as a negation of local democracy.

14.3 IMPACT OF GLOBALISATION ON PUBLIC ADMINISTRATION

The globalisation wave is bringing about an unprecedented expansion of trade, finance, and investment accompanied by unparalleled technological innovations and high levels of consumer demands and expectations. The impact of globalisation on the economy is mixed, with benefits accruing due to competition along with economic crisis, weakened State apparatus, propagation of market-oriented values, and disturbing concentration of wealth leading to increasing levels of poverty, inequality, social crises, with significant repercussions on the development process.

Globalisation is resulting in a transition from centrally planned to market structures, and their integration with the global economy the world over. This has repercussions for the administrative framework and, the functioning of State machinery. The emphasis is on acquiring new skills and capabilities; and changing the mindset of personnel to adjust to the new environment. The nature and processes of public administration have been severely affected by the changing perceptions of the role of the State, managerial orientation in governance, market-driven approach to development, and increasing advocacy of the complementary roles of government, market and civil society.

Public administration, according to Jamil Jreisat (2004) is facing new challenges due to the impact of globalisation. These are:

- A growing need for negotiation skills among sovereign States
- Changed role of bureaucracy from managing to facilitating economic activities
- An organisational, managerial culture which stresses performance and result-oriented management (There is a demand for managerial skills of adaptability, cooperation and creativity)
- Focus on managerial leadership and expertise which has been necessitated by the demands of negotiations, mediation, and sensitivity to human rights and diversity
- Emergence of e-government, where all countries have been executing major initiatives to tap the vast potential of the Internet for improving and perfecting the governing process
- Need for a comparative perspective wherein, in response to the new global reality, public administration must effectively utilise a comparative outlook that incorporates non-western as well as more developed systems

The impact of globalisation has thus been a mixed one. In the view of Ali Farazmand (1999), due to globalisation, on the one hand, public administration seems to be moving towards protection of citizens' rights, accountability, ethical values, research and training. On the other hand, globalisation is leading to shrinking of public space, violation of human rights and commodification of citizens. Many others feel that it is also resulting in upsurge of democratic processes. The economic integration and technological changes is pushing the 'State' towards compliance of certain global standards and behaviour, while the internal social and political forces are attempting to assert the role of the State and its powers in protecting the interests of the governed. Hence, the State is undergoing a new transformative role and as a corollary, its impact on public administration has also been multi-dimensional. We will be discussing these factors now.

14.3.1 Changing Role of the State

The State has always been at the centre-stage of societal governance. Traditionally, many countries embarked on the concept of Welfare State – a political system with high degree of responsibility for the welfare of the population. The onset of globalisation has resulted in significant changes in this traditional role of the State. The market-based approach to public administration is leading to the emergence of a 'Competition State', which encourages public choice initiatives, deregulation, and privatisation, irrespective of the local, political and administrative cultures. Cerny (1997) describes the Competition State as one that has been transformed from a primarily hierarchical decommodifying agent into a primarily market-based commodifying agent.

This 'roll back' of the State propagated during the 1980s and 1990s, especially in the USA and UK, due to the influence of Neo-liberalism has resulted in deregulation,

privatisation and the introduction of market-oriented reforms in public services. This has led to a pro-market and anti-state philosophy of 'private good' and 'public bad'. The new political economy of development is based on 'market' and not the State as the central actor, as privatisation is expected to release locked up social initiatives and the developing countries are supposed to turn outward to participate in the unfolding of the process of globalisation.

The market approach argues that the government is less efficient than markets over providing services to individuals. The market firms due to competition and profit motive make a more effective use of given resources than the government agencies, which lack similar incentives. Also, individuals can choose the services they want from the market, subject to their income, whereas government provision of services leaves them with little or no choice.

A powerful new paradigm of determining the scope and limits of government action that was dominant in Western democracies held the view that government should:

- Do less
- Reduce or relinquish their previous overburdening responsibilities
- Privatised public services or their delivery wherever practicable; and
- Reform their own operations in accordance with the market concepts of competition and efficiency

These beliefs in 'Government by the Market', opined by Peter Self (1993), rest upon the proposition that the market system is inherently a better method of satisfying human wants and aspirations than recourse to government. The *first* objective of this thinking has been to slim the State and liberate the market forces in a variety of ways such as deregulation as well as through suitable monetary and fiscal policies. The *second* objective has been to import market concepts and incentives into the operations of the government itself. The *third* objective is to take measures to reduce the relative size and expanse of public expenditure and also to cut down the range of functions that the government performs.

Globalisation, no doubt impacts heavily on the State, its policies, institutions, and personnel. The 'public sphere' and the space for citizens' involvement have been shrinking and the Corporate State is making its presence felt. The biggest challenge for administration is to recast the role of the State. There is a need for evolving a new regulatory State with an expanded agenda. The State needs to be regulatory in nature, providing for mechanisms for ensuring efficiency, setting standards of service, removing market distortions, providing appropriate regulatory/legal framework for players in the market; and protecting the interests of consumers, employers, employees, and the other stakeholders.

Osborne and Gaebler (1992) in their work *Reinventing Government* have made a case for government having a key role in restructuring of markets through:

- Setting rules in market place
- Facilitating the provision of information
- Augmenting demand
- Catalysing private sector supplies and new market sectors
- Creating market institutions

- Risk sharing; and
- Regulating through application of market-oriented incentives

Effective economic governance demands the State to make efforts to provide a conducive atmosphere for market institutions to function and at the same time strives to make them socially responsive. For instance, the success of the East Asian economies of Japan, Taiwan, Korea, Hong Kong etc., which have been dependent on markets, was to a large extent due to the Governed Market (GM) paradigm. It has been pointed out that the essential kernel of the GM paradigm is State intervention with subsidies, with distortions of relative prices, and with control of credit markets; promoting economic choices and investment and production outcomes that would not have been possible through the ordinary working of the market. Necessary administrative support is required for promoting a competitive climate, and maintaining a stable economy (Sobhan, 1998).

A functioning market economy needs a sound and strong State geared towards evolving a legal and regulatory framework, which ensures predictability, stability, clarity and enforceability. The market-driven processes need to be directed towards achieving economic as well as social development. In Japan, the government, as observed by Okimoto (1989), has intervened directly in the market to:

- Establish sectoral priorities
- Mobilise resources to hasten their development
- Protect infant industries
- Issue guidance on investment levels
- Organise rationalisation and anti-recession cartels
- Allocate foreign exchange credits
- Regulate technological flows in and out of Japan
- Control Foreign Direct Investment
- Issue “administrative guidance”; and
- Publish white papers on mid-term and long-term visions of Japan’s future industrial structure

14.3.2 Responsiveness of State Institutions

The globalising State that is said to threaten the lives of common people, through promotion of elitist policies, can be counteracted by reasserting the role of the State institutions in becoming responsive to the needs of people. The World Development Report – 2000/2001 ‘Attacking Poverty’ asserts that public administration should implement policies efficiently, be responsive to the needs of the people and redistribute resources for activities that benefit the needy.

The World Development Report 2002 “Building Institutions for Market” has observed that “Weak institutions – tangled laws, corrupt laws, corrupt courts, deeply biased credit systems and elaborate business registration requirement – hurt poor people and hinder development”. Countries, which faced such problems, have dealt with them by creating relevant institutions suited to micro-needs that increase income and reduce poverty.

The public institutions can thwart the negative consequences of globalisation through suitable interventions. For instance in Korea, the government through employment insurance, public works programme, livelihood protection programme, provides

appropriate social protection by creating a base for a competitive and knowledge based economy. Similarly, in East Asian economies, measures have been taken to ensure that different sections of the society benefit economically from the growth strategies. The World Bank (1993) points toward several policy measures that have facilitated in providing the benefits of growth to a wide section of the population. These are:

- Provision of universal primary education with increased access to secondary and higher education
- Land reform measures in Japan, Korea and Taiwan have provided for a more egalitarian ownership of land, assistance to agricultural production both for domestic and export promotion, and provision of increased incomes to a broad group of land holders
- Promotion of small and medium sized enterprises (most exclusively in Taiwan, to a lesser extent in Japan)
- In addition, specific welfare measures such as investments in providing housing to low income households (in Hong Kong, Singapore and Indonesia) have also contributed to a lessening of poverty

The key challenge, to counteract the negative consequences of globalisation, is to strengthen and revitalise the public institutions in a manner to ensure their legitimacy and effectiveness in protection of public interests. The developing countries need to take concrete measures in this direction. According to James Wolfensohn, the then President of the World Bank (1999), development requires Good Governance meaning open, transparent, accountable public institutions. In a market economy, if growth is to be lasting, then it must be regulated - not over-regulated, but guided by public institutions and private professional conduct, which establish a foundation of transparency and fairness in economic life. Effective, accessible public institutions are not just conducive to, but a necessary condition for stable growth.

14.3.3 Management Orientation in Public Administration

Public administration, traditionally speaking, had the major obligation of promoting public interest. It had to assure representativeness and responsiveness to citizens. The managerial orientation in it is not a recent development, as it was prevalent earlier too but in varied form and content. The 19th century civil service reformers in the USA promoted managerialism in public service. It took the form of emphasising merit and fitness in public service appointments and selection and tenure of public servants based on efficiency and performance. This was precisely the reason for the advocacy of politics-administration dichotomy, as politics was considered to be the core factor of inefficiency. Later, the propagation of scientific management principles by F.W. Taylor wherein organisation was looked upon as a formal structure, with features of client orientation, and notions of impersonality etc. indicates that traditionally too, management orientation was considered necessary to promote efficiency, economy and effectiveness.

The new reform model in public administration, which emerged in the 1980s as New Public Management (NPM) approach has once again condemned the traditional public administration as a failure. It starts with the premise that the traditional, bureaucratically organised public administration (in the words of Al Gore) is, 'broke' and 'broken' and consequently, the public has lost faith in the government. The orthodox public administration which remained under attack for many years, has suddenly found a new reform replacement, as Edward Jennings observes, major initiatives to reform government processes are built around a shared set of notions. Government should now

be performance-oriented. The management of government has to be deregulated. Public agencies must be entrepreneurial, mission-driven, and service-oriented. Public managers are to be risk takers who welcome participation and reward performance. They themselves are to be adjudged on their performance.

These reform initiatives are targeted at the multiple performance failure of the government and the need to build public confidence. They are thus premised on the belief that traditional bureaucracies have become stumbling blocks to responsiveness, effectiveness and efficiency. The new reforms model that is the NPM model is based on certain postulates, which include:

- Focusing on achieving results rather than primarily conforming with processes
- Introducing market principles such as competition, and contracting out in the provision of goods and services
- Making public administration customer-driven to enhance service ethic and efficiency
- Assigning the role of steering activities to the government rather than rowing
- Relying on third parties such as non-profit organisations, and other levels of government in implementation of policies
- Deregulating the government activities to make them result-oriented
- Empowering the employees to serve the customers as it promotes teamwork; and
- Changing the overall public administrative culture towards flexibility, innovation, entrepreneurialism, as 'opposed to' rule-bound, process orientation (Rosenbloom, 2002, *Paraphrased*)

NPM has emerged clearly as a major manifestation of the Competition State. This new paradigm, which has gained wider implementation on a variety of labels such as reinventing, reengineering, quality management, liberation management, focuses basically on the changes in the structure and processes of government. Research studies indicate a wider acceptance of NPM model across the world, about which we will discuss in our MA Course (012). A discussion on some of the features of NPM also forms a part of our next Units 15 and 16.

14.3.4 State-Market Cooperation

A consensus is gradually building up to create cooperation between the State and the market. Three kinds of interventions have been identified which are functional, institutional and strategic. Functional interventions seek to remedy market failures in so far as prices give the wrong signals. Institutional interventions seek to govern the market by setting the rules of the game for players in the market. Strategic interventions seek to guide the market, as these are interlinked across activities or sectors in an attempt to attain broader, long-term objectives of development. The State in order to facilitate market functioning needs to develop the physical infrastructure as well as create indispensable social infrastructure.

In 1994, some economists in India recommended evolving a paradigm of 'Socially Responsible Market Economy' (SRME), which seeks to: reorient the role of the State and planning through public sector and joint sector, strengthen economic and social service activities through building of human resources, skill development, employment generation; and develop infrastructure where private sector and foreign investment are not forthcoming.

The SRME paradigm emphasises on self-discipline, peer pressure and adherence to codes of conduct by all economic players. These codes are intended to be followed by all concerned sections of the society reflecting their socially responsible economic behaviour in a free market economy. The State is expected to play a balancing role in overseeing the achievement of people's welfare in a market driven economy.

The paradigm assumes importance as the State is always accountable to the people whereas the market is not. And if there is one thing to be learnt from the unfolding of the experiences of the post-Soviet reform, it is precisely this (Jain, 1996). A State, which pays little attention to the economic suffering and marginalisation of a significant proportion of its population, as has been rightly stated by Amit Bhaduri (2001), not only discredits itself but also the market process through which such marginalisation occurs. The importance given to the market forces in the present scenario might appear to give a reduced role to the State. But the State's role, as has been observed, has not diminished, since it has to reconcile the objectives of liberalisation and the pursuit of national interests and developmental goals. In the national context, the State must endeavour to create the pre-conditions for a more equitable development, bargain with transnational corporations to improve the distribution of gains from cross-border economic transactions, practice prudence in the macro-management of the economy so as to reduce vulnerability and intervene to minimise the social costs associated with globalisation. In the changing scenario, there has also gradually emerged a view that philosophy of 'individualism', which is embedded in the market and the government guided by market forces is not favourable to any society. Hence, States and markets need to have an institutional alternative in the form of non-state actors.

14.3.5 Civil Society as a Supplementary Democratic Model

Civil society, which refers to self-organisation of citizens in contrast to the State or government, is rooted in western rational decision-making and political culture. Civil society comprises the collective of those social organisations that enjoy autonomy from the State, and have as one important goal, among others, to influence the State on behalf of their members. Civil society organisations in the words of Harry Blair (1998) are networks of groups formed for pursuing special interests and include all local and externally financed private, charitable, social service, developmental and professional organisations.

The development of the civil society organisations is considered as a growth of Communitarianism. Whether attached to and promoted by the political Left or Right, Communitarianism, it has been observed, would emphasise the growth of the third sector, meaning the non-profit organisations other than those in the public sector, as a solution to many problems of contemporary society. As the markets are being driven by profits, and the State organisations are being mired in inefficiency and unresponsiveness, the civil society organisations, have gained prominence due to their participatory, flexible, less bureaucratic, cost-effective, accessible, and people-friendly characteristics.

Larry Diamond (1991) identifies at least six functions of civil society in shaping democracy. These are:

- Civil society is a reservoir of political, economic, cultural and moral resources to check the process of the State
- The diversity of civil society will ensure that the State is not held captive by a few groups

- The growth of associational life will supplement the work of political parties in stimulating political participation
- Civil society will eventually stabilise the State because citizens will have a deeper stake in social order. Further, while civil society may multiply the demands of the State, it may also multiply the capacity of groups to improve their own welfare
- Civil society is a locus for recruiting new political leadership, and
- Civil society resists authoritarianism

Civil society, which provides a single civic identity that is distinct, and belonging to various groups of citizens, acts as a mediating link between the State and the markets. Anthony Giddens in his book *The Third Way: The Renewal of Social Democracy* also makes a case for broadening of the democracy with government acting in partnership with agencies in civil society so as to combat civic decline. The established traditions of participative planning and community development can be complemented by experiments in direct democracy. The fostering of civil society, as has been observed, is an important task, for the State, with support for the 'bottom-up' politics of community renewal. This implies a greater role for service provision by non-profit organisations; more localised distribution channels; and a public sector that works to develop the capacities of local communities. We will discuss more about the role of the civil society in Unit 19 of this Course.

The State and market are considered as sources of remote decisions that might not have much of an impact on the lives of the community. The emergence of Communitarian movement, which is a new development, but is gaining momentum, provides a broader perspective on society as comprising new forms of community (local, voluntary, professional etc. working with the spirit of mutual concern and cooperation. The thinking that has gained coinage is that by delegating more of its functions to partly or semi-autonomous local agencies, communities and cooperatives, the State is promoting democratic decentralisation.

It is beyond doubt that market techniques such as privatisation, customer orientation, entrepreneurialism, and performance orientation are aimed at improving the efficacy of public administration. The clash of private interests with public sector values precipitates the problem. Above all, as has been pointed out, there is a thing called 'public interest', which lies at the heart of government operations, and it is irreplaceable by any market philosophy (Cf Bhattacharya, 2001).

Privatisation, which is being pursued as a key instrument of globalisation has been criticised by Peter Drucker, when he says, "We are learning very fast that the belief that free market is all it takes to have a functioning society or even a functioning economy – is pure delusion". The transition from a centrally planned to a market economy, especially in developing countries, in the last two decades has led to several doubts being raised about the efficacy and relevance of the State, importance of market forces; and ways of striking a balance between the State, market forces and the people. Even the Western liberal ideas, which earlier downplayed the significance of the State have started acknowledging the need to take into cognisance the positive aspects of governance such as providing for effective and transparent legal, judicial, regulatory mechanisms, evolving market friendly forms of State intervention, and mobilising social capital in pursuance of public policies and programmes.

The ultimate goal of development, whether it is pursued by the State or the market is to build human capabilities, and enlarge human choices, to create a safe and secure environment where people can live with dignity and equality. Globalisation is said to affect communities, and their participation in managing their affairs. The biggest challenge to administration lies in not simply strengthening the processes and institutions of government, but also looking at the governed, making them partners in the process of development, strengthening their capacities and empowering them. There is a rapid shift towards a societal approach to development, with an emphasis on centrality of 'social capital' to development.

Peter Evans (1998) in his analysis of East Asian economies has given a new orientation to the theory of 'Embedded Autonomy', whereby he emphasises that a significant factor responsible for their economic growth, is the presence of concrete set of social ties that bind these States to their surrounding societies. The State-society interaction that facilitates gauging the society's response to policies formulated by the State is important. Hence, he emphasises the need for a tie-up between the State apparatus and its societal constituencies.

A perusal of the structural adjustment policies imposed on the developing countries by the donor agencies indicates that the aid conditionalities have contributed to social damage in the form of rising inequalities, unemployment, insecurities and so on. Hence to minimise these effects globally, efforts are on towards strengthening local economies through rebuilding of communities. For instance, in Britain, there is an enormous range of entities which constitute 'community economic action' wherein nearly, one-and a half million people participate. It takes the form of community enterprises run by local people, credit unions, development trusts working towards economic, environmental and social regeneration of an area, community recycling schemes and so on.

Developing bottom-up participatory processes shall enable the community to have control over their own needs and resources. In Brazil, as per the World Development Report 2000/2001, the involvement of beneficiaries in the process of disbursing development funds has facilitated better interaction with local administration. The Municipal Councils have 80 per cent representatives from the user communities. If they feel that Municipal Councils treat them unfairly, they can apply for funds directly from the State government.

In India, in the State of Andhra Pradesh, micro-financing has enabled many families to rise above the poverty line. Women form small Self-help Groups (SHGs) and avail loans at no or low interest rates to start income generating activities and build a savings corpus. This type of micro financing is considered as a viable solution to the livelihood problem, where poverty is the overriding factor. The State government is already in the forefront of the micro-financing sector. Activities such as afforestation programmes, multi-crop cultivation, setting up of seed-bank, raising of nurseries etc. are being undertaken.

Building synergy between the State and society needs appropriate strategies to:

- Develop, strengthen and sustain collaborative and participative processes
- Foster institutional development that facilitates resource mobilisation, coordination and networking
- Ensure transparency, empowerment, accountability; and
- Strengthen human capacities

14.4 IMPACT OF GLOBALISATION IN DEVELOPING COUNTRIES

The impact of globalisation on public administration in developing countries is, on several fronts, posing serious challenges. The impact of market forces on public services is bringing about adverse repercussions. The privatisation of public enterprises, especially the loss making units are unable to get suitable buyers and are hence being sold at low prices. The situation prevails in India also, where the privatisation is being faced with a lot of resistance. As Self (2002) observes “Privatisation came at a cost in the form of increased unemployment (especially among older workers), that put pressure on the welfare budget, human effects (in loss of pride and purpose among workers made redundant), and increased economic inequality (with a rise in profit and fall in wage in the privatised industries)”.

The contracting out process is also open to corruption and mismanagement. The process becomes immensely complex and difficult to manage as the need for constant monitoring and supervision adds to the already heavy load of work and cost of the public agencies. While the cost for service provision could be reduced, the quality of service remains lower in some of the countries. These problems offset some of the financial gains achieved by marketisation for increased managerial responsibilities.

The introduction of user fees goes against the principles of equity and ability to pay. In developing countries, this approach is likely to lead to higher cost of essential services that a larger section of the impoverished population may be unable to afford. The consequence could be a deepening of the already existing inequities and intensified dissatisfaction and dissent among the citizens. Many developing countries including India are being pressurised by World Bank to increase tariffs and withdraw subsidies across a number of areas.

As Huque points out, the process of marketisation of the public sector in developing countries leads to several associated problems. *Firstly*, the highly publicised gains in efficiency and reduction in public expenditure is often surpassed by the extremely high indirect costs and artificial enhancement of productivity, small savings in terms of money and manpower are attained at the expense of some of the fundamental principles of public service as well as loss of confidence of the public in the competence of the government and its agencies. *Secondly*, there is an erosion in the power, credibility and legitimacy of the governments. Weak governments in developing countries have little bargaining power in their dealings with the resourceful, organised and highly competent service providers from the private sector as well as the influential international agencies and multinational corporations. *Thirdly*, consumers of public services are already in a weak position in developing countries due to inadequate protection from the government and the existence of regulations titled in favour of the service providers. As a consequence, the consumers emerge as the weakest party after the introduction of marketisation in public administration.

The developing countries are yet to arrive at a stage of development where the provision of public service can be handed over to private providers without the risk of major disruption or threat to the interest of the consumer plans. Privatisation will not appeal to the citizens unless the costs and benefits are carefully calculated and demonstrated to benefit them. The marketisation of public administration at the insistence of donor agencies has led to a host of undesired outcomes. Instead of making governments more economical and efficient and consumers more powerful and conscious, marketisation of public administration in developing countries has eroded the power of the consumers

and the governments, while contributing to a stronger position for the private sector and international agencies.

Globalisation and associated changes are facilitated by the establishment of knowledge based societies and a certain level of sophistication in information technology, but most developing countries talk about the basic features necessary for performing public administration functions. In spite of promises and pressures towards marketisation, corporatisation, privatisation, customer-orientation and development of the third sector, the results are far from satisfactory in the developing world. At the same time, the methods and mechanisms for establishing a system of democratic governance, characterised by accountability and transparency are yet to be materialised.

However, it is not to be construed that market-oriented reforms are not suitable for improving public services in developing countries. There is, in fact, a need for initiating reforms in the basic social, political and economic activities that would prepare the grounds for the introduction of reforms to roll back the State, recover costs from users and expose public service providers to the market forces in order to bring out the best in them.

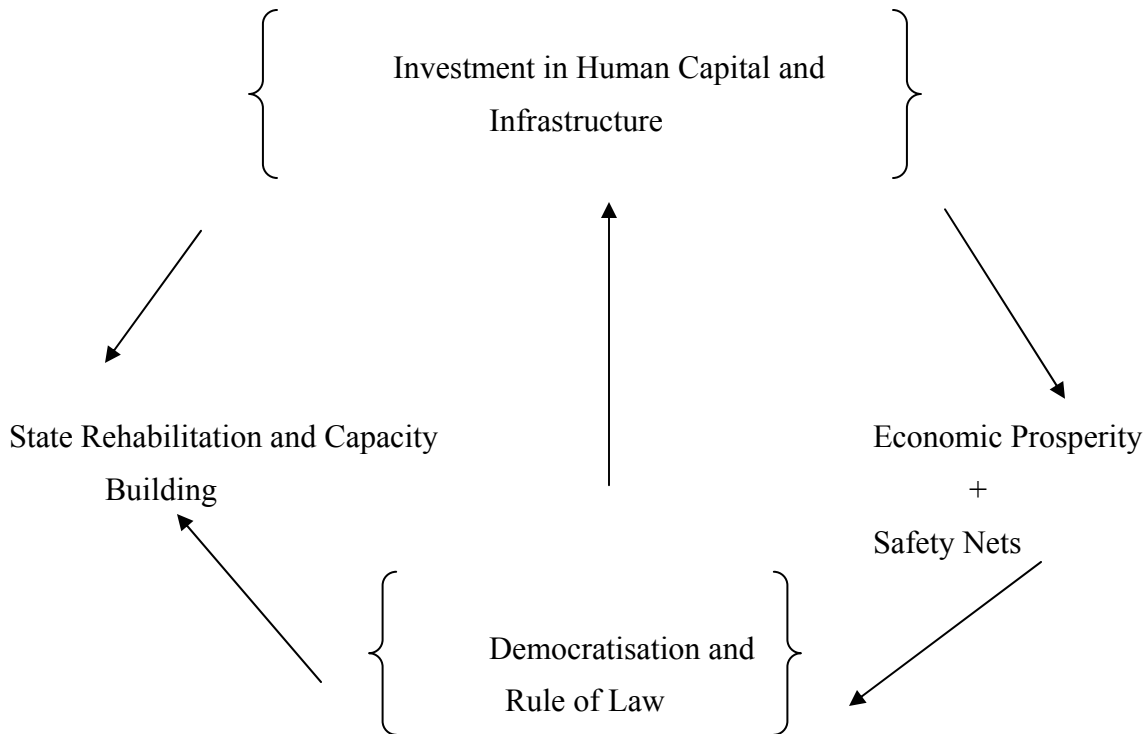
Globalisation has come to stay and as Tony Blair, the British Prime Minister, once commented, it is, irreversible and inevitable. Presently, one observes that globally the new managerial forms such as reinventing, reengineering, structurally adjusting etc, designed and propagated by the corporates are gaining prominence. At the same time, there are counter pressures generated by citizens who are demanding participation, transparency, efficiency, social justice and democratisation.

It is being felt that globalisation has benefited only a few, and the majority, especially in developing countries, continues to live in deteriorating levels of poverty. This is mainly due to the increasing powers being exercised by multilateral financial institutions in these countries, which is reflected in their economic and social policies. Hence, time and again, there have been anti-globalisation protests the world over voicing concern for the decreasing democratic norms. Joseph Stiglitz (2002) comments. "If globalisation continues to be conducted in the way that it has been in the past, if we continue to fail to learn from our mistakes, globalisation will not only succeed in promoting development, but will create poverty and instability".

A three day Congress of political personalities from around the world in Sao Paulo, Brazil in October (27-29) 2003, passed a Declaration which called for "Reshaping globalisation, which favours rich countries and corporations to the detriment of the Planet's poor". The declaration decried attempts to dismantle all forms of global governance to: minimise the role of the United Nations, undermine multilateral institutions, promote unilateralism and the consecration of the market; and impose the will of the powerful to decide the future of the mankind.

The predominant viewpoint of the developing world is that the process of globalisation, needs to be active, orderly and cooperative to serve the common interests. It is being widely asserted that the concept of development needs to undergo transformation through effecting changes in policies and institutions. The Neo-liberal argument, which gave prominence to market forces, has been supplemented by renewed accent of the World Bank, IMF, and WTO on poverty reduction, equity, participation, human rights and partnership. This new trend is called the Pragmatic Neo-liberal Development Model. This Model favours market-oriented reform accompanied by investment in human capital, infrastructure, safety nets, democratisation and rule of law. The Pragmatic Neo-liberal Development Model can be diagrammatically presented as:

Pragmatic Neo-liberal Development Model



Source: Atul Kohli, Chung-in-Moon, George Sorensen, 2003, *States, Markets and Just Growth*, United Nations University Press, Tokyo.

This paradigm features a market-based strategy with the following features:

- It is holistic as it encompasses political and social in addition to conventional macro-economic dimensions
- It is synergistic as these dimensions are complementary and mutually reinforcing
- It is complex as efficient market systems are deemed to require the supportive action of effective Nation States.

Joseph Stiglitz (*op.cit.*) also advocates developing and using more policy instruments to pursue broader objectives of development, including sustainable, egalitarian and democratic development. He argues that the new paradigm for development should seek to explore ways to achieve an overall transformation of society effectively. He prescribes a crucial role to government to promote competition and act as a referee in the market economy, and encourage provision of public goods by the private sector.

Globalisation process has taught some lessons (positive as well as negative), especially to the developing countries. It has brought to the fore the need to appreciate the significance of indigenous local systems of administration and governance, as well as adapt them in accordance to the new trends in globalisation. The process of globalisation, in the context of developing countries, has to bring in political, economic and social empowerment to the local level so that they may achieve sustainable participatory development in an equitable and just environment.

Any discussion on creating an adaptive environment to the new trends in globalisation has to give prominence to the concept of Good Governance about which we shall be discussing in Unit 17 of this Course. It is Good Governance that can foster democracy, fairplay, justice and equity. Good Governance must ensure sustained development opportunities for the poor and deprived people of the world. It entails, among many other things, new economic policies and institutions, as well as new life styles and preferences. Above all, as has been pointed out, it must be able to reconcile individual advantage nurtured by the market with a tolerant concern for all.

14.5 CONCERN FOR GLOBAL JUSTICE AND ACCOUNTABILITY

As the inexorable processes of globalisation proceed, there are bound to be major issues of global justice that need to be faced. Stiglitz (*ibid.*), for instance, talks of ‘more humane, effective and equitable globalisation’ and suggests five high-priority goals in this context: ‘honesty, fairness, social justice (including concern for the poor), externalities (protection of life and promotion of security), and responsibility (individual decision makers to take responsibility for their own actions and for the consequences of their actions). Similarly, special emphasis has been laid on ‘participation’ in the sense that the agencies responsible for global level decision-making must allow people to voice their views and opinions in respect of the decisions that affect their lives.

A direct appeal for value-based and justice-oriented approach has been made by John McMurtry (1998) in his *Unequal Freedoms: The Global Market as an Ethical System*. He has given a call for establishing and elaborating a moral framework for globalisation and a system of justification. McMurtry focuses on the underlying values that drive globalisation, including what he refers to as the value programme in which assertions such as “We must compete in the new global marketplace” are seen as given, natural, unalterable. As he argues, in a value programme:

‘All people enact its prescriptions and functions as presupposed norms of what they should do. All assume its value designations and value exclusions as givens. They seek only to climb its ladder of available positions to achieve their deserved reward as their due. Lives are valued, or not valued, in terms of the system’s differentials and measurements. All fulfil its specified roles without question and accept its costs, however widespread, as unavoidable manifestations of reality’.

The value programme, as McMurtry bluntly states, underlying the global market system consists of “Efficiency of factor allocation, comparative advantage, increased export earnings, rise in market share, increased Gross Domestic Product (GDP) performance and annual incomes, and, above all, vastly increased returns on investment in an area of chronic underinvestment”. The major assumption is that the global market system is superior to any other. The underlying premise is that the private sector is efficient and the government is inefficient. Thus, “Whatever the market does is good, and whatever government does is bad, unless it can be shown to serve the market”. So, what is clearly evident is that the value programme of globalisation is a closed system of choice; the acquisition of money drives society, and the impact on the civil commons is either ignored or discounted. But, as McMurtry asks, if the common interest is not protected and advanced by the State, then the State loses the justification for its existence.

Globalisation involves decisions by a network of organisations whose coordination seems nobody’s business. Crucial decisions are being taken by a variety of international actors whose accountability remains an unanswered question. In this context, the insightful

observation of Joseph Stiglitz (*op.cit.*) deserves to be quoted: "Unfortunately, we have no world government, accountable to the people of every country, to oversee the globalisation process in a fashion comparable to the way national governments guide the nationalisation process. Instead, we have a system that might be called 'global governance without global government', one in which a few institutions -the World Bank, the IMF, the WTO - and a few players - the finance, commerce and trade ministries, closely linked to certain financial and commercial interests - dominate the scene, but in which many of those affected by their decisions are left almost voiceless."

The United Nations Development Programme (UNDP) report on 'Accountability in Global Governance' has also reinforced this notion: globalisation poses a real problem, particularly for the Third World countries who are vitally affected by international decisions, which they are often unable to influence and in which they are not always participants. The UNDP points out that it: "It is easy to imagine that if all governments in the world were both democratically elected and equally represented in international organisations, there would be far less of a problem of accountability in global governance. However, it is worth noting immediately that even in such an ideal world, the capacity of people to hold international institutions to account would still be very limited.

In the first place, there is an unavoidable 'democratic deficit' in international organisations because people do not get directly to elect (nor to throw out) their representatives on the WTO, the IMF, the World Bank or the United Nations Security Council. Instead, those who live in democracies get to elect politicians some of who form a government, which appoints ministers who represent and choose delegations to represent a country. For this reason, even in an ideal, universally democratic world, international economic governance is removed from representative government. Even if they so wished, citizens could not use their votes effectively to influence, restrain or hold to account their government in its actions in an international organisation. And even less directly in countries with highly developed systems of parliamentary accountability such as the United Kingdom, the oversight by Parliament of international institutions is weak. In most developing countries it is yet weaker. Thus, globalisation leaves the question of 'accountability in global governance' wide open.

14.6 CONCLUSION

The process of globalisation is indeed irreversible, but we need to work towards fighting the apprehension that there is no other alternative to it. It is beyond doubt that globalisation has promoted technological advancements, foreign exchange flows, export growth, Foreign Direct Investment, development of multinational enterprises and so on. There have been attempts globally to evolve a uniform approach in promoting service values and delivery mechanisms. The uniqueness of culture and environment is likely to produce varied results in developed and developing countries. Especially, in the developing countries, this has serious repercussions. But the most important factor that we need to take cognisance of is to counter the imbalances, isolation, and inequality that it has created and make the environment more humanistic. The instability and insecurity that globalisation has brought about can be reversed through social cohesion, and cooperation which neither the State nor the market can solely provide. This leaves the doors open for hybrid organisations that are neither State nor market.

Thus, the debate of State vs. market is no longer valid. Neither a Liberal State nor an interventionist State can ensure development. The conventional public administration has undergone a metamorphosis by integrating three critical players i.e. 'State', 'market' and 'civil society' in governance. The need for a collaborative action amongst the three has been reiterated strongly in the late 1990s. The significance of all three sectors in the management of public affairs, has been recorded with a requirement that there be a 'balance' in State-market relations, 'legitimacy' in the State interactions with the citizens, and 'partnerships' between the State and the institutions of civil society. In the present administrative scenario, what is needed is not less government, but a better and a different type of government. Public administration needs to gear up to the challenges of:

- Redefining the respective spheres of State and non-state actors, building mechanisms for better interaction, and cooperation
- Framing suitable laws and regulations that provide necessary stability, confidence, enforcement; and
- Building a professionalised civil service possessing necessary competence, skills, public service, participatory, and a pro-citizen ethic

As Denhardt and Denhardt (2000) suggest, "In a democratic society, values such as efficiency and productivity should be placed in the larger context of democracy, community and public interest. There is a need to evolve the concept of a New Public Service which focuses on serving the citizens than steering, thinking strategically, acting democratically, valuing citizenship and public service above entrepreneurship, and ensuring accountability not just to market but to Constitutional law, community, citizens' interests, and professional standards". This Unit discussed the trends in globalisation and their impact on public administration, especially in the developing countries. The changed ambience in which administration operates needs an interactive relationship between the State, market and civil society in order to achieve Good Governance and an accountable, transparent and efficient provision of goods and services. The transformation of this type has to be accompanied by a concern for global justice and humane development. These issues have been highlighted in this Unit

14.7 KEY CONCEPTS

Corporate State

The concept of Corporate State developed under the context of Fascism in Mussolini's Italy as a means of regulating industrial relations. The theory divided society into a limited number of corporations. This system then functioned as a means of control and a channel for government intervention.

[en.wikipedia.org/uks/corporate state](http://en.wikipedia.org/uks/corporate%20state)

Deregulation

It is the process of lessening the monopolies of only a few in the economic sectors by opening those sectors to other players also. The reforms ushered in India since 1990s, have thrown open certain sectors of the economy such as banking, telecommunications, civil aviation etc. to competition in order to provide better service at lower prices and greater choice. These sectors have been given more autonomy, free from stringent rules and regulations.

Structural Adjustment and Stabilisation Policies (SA&SP)

During the 1980s, it was increasingly felt that poverty and economic stagnation, especially in the developing countries was the result of the State undermining the operation of market forces. The need for structural adjustment and formulation of policies to stabilise growth in major economic sectors as well as reduction in the role of the State in economic development came to be regarded as indispensable. This led to SA & SP, a package of reform measures promoted by Bretten Woods Institutions (IMF and World Bank), US Congress Treasury and several think tanks, which aimed to address the economic crisis, especially of Latin American countries. The Programme emphasised the need for sound macro-economic and financial policies, trade and financial liberalisation, privatisation and deregulation of domestic markets. This strategy promoted minimal State that refrains from economic intervention and focuses on sound monetary policy by letting the markets work, getting the prices right, privatising, budget rationalising, and integrating the domestic economy into the global economy.

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14.9 ACTIVITIES

1. On the basis of newspaper clippings and magazines, prepare a list of Public Sector Undertakings that have been privatised in the recent past.
2. Make a list of the changes that globalisation process has brought about in the areas of State-market ventures, civil society initiatives, and public sector disinvestments and debureaucratisation.