

# NEO-LIBERAL PERSPECTIVE OF GOVERNANCE: A PARADIGM SHIFT FROM STATE-CENTRIC APPROACH TO CITIZEN-CENTRIC APPROACH

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## ABSTRACT

Conceptually, governance is linked with the ideological triumph of neo-liberalism. The theoretical roots of governance are located in 'neo-liberal' economic theories, especially 'neo-right ideology'. Government is 'redefined' in market paradigms by redrawing boundaries of public administration. In the new dispensation, governance is an interface between state, market, and civil society. The neo-liberal ideology has changed the role and activities of the state. The rise of neo-liberalism as a new ideology of policy making has downsized the government and allowed more free play of the market and civil society. The traditional bureaucratic model appears to have lost its significance, because of growing importance of the non-state actors in Citizen-centric administration.

**Keywords:** Governance, State, Market, Civil Society, Neo-Liberalism

## 1. INTRODUCTION

The concept of governance is as old as human civilization. In recent years the word 'governance' has become a very fashionable term and is being used in a variety of ways and that covers a large number of public, private and civil society organizations. It has received very serious attention from researchers of Public Administration, policy makers and international development community. It stated with a range of meaning, from the act or manner of governing the office of power, which made it synonymous with government, to being virtuous or wise in the general professional and personal behavior. After the peace of Westphalia (1648), it has become fully synonymous with government, lasting in time the moral connotations of wisdom and virtue. This remained true roughly till the 1990s. In 1990s, its normative aspect came into prominence once again due to the political and economic changes that marked that decade (Dutta, 2009, pp. 158-159). The concept of 'governance' is widely using in the study of new practices of public administration.

## 1.1. OBJECTIVE

The neo-liberal ideology has argued for greater reliance on market and reduced the role of government. The theoretical roots of governance are located in 'neo-liberal' economic theories, especially 'neo-right ideology'. Government is 'redefined' in market paradigms by redrawing boundaries of public administration. In the new dispensation, governance is an interface between state, market, and civil society. It is also used to mean to reduce the role of the state in economic activities, to strengthening state institutions in promoting the role of the market and to encouraging the activities of democratic decentralization and peoples' participation. The main objective of this paper is to fine out and analyze how neo-liberal ideology has been reducing the role of state and changing the paradigm of governance from state-centric approach to citizen-centric approach.

## 2. RESEARCH METHODOLOGY

This paper has been prepared by applying content analysis method and qualitative approach of research. Mainly secondary data sources i.e. books, journals, government documents and reports had been use in this purpose.

## 3. GOVERNMENT TO GOVERNANCE

The terms 'government' and 'governance' appear synonymous in dictionary. Government refers to formal and institutional processes which operate at the level of nation state to maintain public order and facilitate collective action. It is a formal institution of the state with their monopoly of legitimacy and coercive power. It refers to various forms of political system or the manner in which state exercises it power in utilizing socio-economic resources. In the post-second World War period, state was seen as an engine of development, but with failures in development performance, the state was blamed for its development policies and ineffective policy initiatives. Therefore, state-oriented concept lost its significance. Ineffective development policies and poor implementation of those policies together with inefficient and incompetent absorption frameworks for policy making and alternative institutions for delivering public services (Mathur, 2008) were reasonable for this. In this perspective, the role of state has been changed and the activities are now limited. As an alternative of the government the term 'governance' gains popularity as a strategy of development and as a process of governing. Here lies the importance of the concept of 'political system' of David Easton and Almond's structural analysis of the system. It is a deviation from institutional approach to process approach. Foucauldian concepts of 'power' and 'governance' are important milestones to the concept of 'governance' and development administration. The term has gained prominence in public debates across the world in recent times.

### 3.1. NEO-LIBERAL PERSPECTIVE OF GOVERNANCE

Neo liberal ideology in economic theory and public policy got prominence since 1970s. After that many developed countries of the world faced fiscal crises due to the inability to bear the burden of welfare policies and the cost of vast bureaucracies maintained to implement these policies. As a result, state had to follow the policy of 'cutting expenditure for public welfare.' The state began to reduce social spending and market that was increasingly relied upon to meet many more demands of citizens and search for alternative strategies to deliver public services. The state necessarily adopted the policy of privatization and liberalization to meet the crisis. The role of the state as well as government should have to be limited in the delivery of public services and the role of market to be increased to provide essential services to citizens in this respect. But, the role of the state is not reduced; the role of the state has been re-conceptualized. The role of the state is to be supervisory and directory. Liberal policies could only succeed in providing public services if the state has the capacity to direct and regulate the market.

This experience of developed countries in redefining the role of state was profoundly significant for the emerging conceptualization of governance and its use by the donor agencies. Neo-liberalism strengthens the social power of capital especially, finance capital and discourages state investment in sectors that can be included in the purview of the private sector. So, the effect of the rise of the role of private enterprise or greater reliance on the market largely eclipsed the state oriented growth model that had been prevalent since the end of the second Would War. Governance now was envisaged in this new perspective and was not state-centric. The state was one of the actors – albeit an important one – in steering society (Mathur, 2008, p. 4).

Together with this, insistence on prioritization of markets in domestic public policies, process of globalization further strengthened the role of finance capital and promoted its movement across the countries. As more and more countries got incorporated into international production process, the demand of finance capital, as represented by transnational corporations, the state was to provide conditions that would allow production to take place efficiently and smoothly. Good governance came to be associated with the capacity of the state to provide these conditions and create a climate that attracts international capital through multi-national corporations and aids through international agencies. The impact of the progress of globalization has thus been that of further emasculation of the role of state. The chief beneficiary of this development has undoubtedly been the domain of the market, which has gained previously unthinkable pre-eminence in the last decade of the twentieth century (Jayal, 2001, p. 12).

The term 'governance' was first used by the World Bank in its report on Sub-Saharan Africa in 1989. In this report, the World Bank expressed the view that the programmes of fiscal adjustment and investment in that region were being rendered ineffective by a 'crisis of governance'. World Bank realized the weak role of the state and its institutions in implementing this fiscal adjustment and investment programmes. Governments were incompetent and corrupt that tended to curtail or dilute these programs and even after governments accepted the conditions, enjoined in these programmes, they were not able to implement them. This led the Bank, in its initial formulation to focus on managerial and administrative competence as a strategy to improve governance (World Bank, 1989, World Bank 1992) and the Bank committed itself to the seemingly more political and largely technical strategy to improving governance. The role of state was redefined in the World Development Report 1992 (pp. 4-11). The state could undertake basic investment in and management of essential social and physical infrastructure, but its central role was to encourage the free and fair play of market forces in an impartial, open and accountable manner.

Now-a-days 'governance' is a buzzword used freely in most publications emanating from government departments, donor agencies and academics. It is heavily relied upon to explain developmental outcomes. Many international and multilateral aid-giving agencies have adopted it as a general guiding principle to improve the capability of the recipient countries to handle development assistance better and utilize it more efficiently. According to liberal economic policies, it means to strengthening and reforming market institutions, building capacities of public institutions to perform, encouraging democratic participation through strengthening civil society institutions etc. Conceptually, governance is linked with the ideological triumph of neo-liberalism. The theoretical roots of governance are located in 'neo-liberal' economic theories, especially 'neo-right ideology'. Government is 'redefined' in market paradigms by redrawing boundaries of public administration. In the new dispensation, governance is an interface between state, market, and civil society. The 'governance' discourse has its origin in (1) the new thrust toward neo-liberalist restraint on 'state' along with the positioning of 'market' as a provider of local-level social services, (2) the international funding authorities' (particularly, the World Bank) concern for more accountable, transparent, open and participative rule, and (3) the newly emergent 'globalization' trend – a socio-economic integration of the world propelled by economic, technological, and political considerations. (Chakrabarty and Bhattacharya, 2008, p. 21).

There is a historical background to the emergence of governance as a mode of public administration. In Organization of Economic Cooperation and Development (OECD) formulations, four sets of historical developments seen to have influenced these profound shifts in governance. The first is the impact of struggles for 'greater democracy and competitive markets' (Wolfgang, Riel & Barrie, 2001, p. 9). The second set is linked with the ways in which 'changes in economic productivity and material wealth alter both the aims and methods of governance' (Wolfgang, Riel and Barrie, 2001, p. 9). The third set is related with the demands for reforming the well-entrenched and excessively rule-bound system of administration. Finally, the fourth set is about managerial innovations and their application to transform 'the institutional design and organizational structure' of administrative operation. (Wolfgang, Riel & Barrie, 2001, p.9). The neo-liberal ideology has changed the role and activities of the state. The rise of neo-liberalism as a new ideology of policy making has downsized the government and allowed more free play of the market and civil society. The traditional bureaucratic model appears to have lost its significance, because of growing importance of the non-state actors in administration.

Governance and Globalized Government is being 'reinvented', not only structurally but also ideologically in an environment, where neo-liberal values seem to have triumphed. The state here retreats from traditional strongholds and the government withdraws from the areas previously dominated that traditionally remained their own domains. Globalization has led to a 'marriage' between corporate discipline and entrepreneurial spirit, with the government discarding its traditional image of 'a doer'. Seeking to accommodate 'the market impulse', the government has become

'an enabler'. Globalization, thus, restricts the national governments and limits its policy options. A new situation has emerged, and the governmental functions are redefined with the neo-conservative theoretical parameters. The corporate state has become a reality resulting in an obvious shrinkage of the traditional state system. The state is increasingly being guided by neo-liberal values endorsing globalization of capital. Public administration is now 'governance', which is nothing but checklists of certain activities designed both to stabilize and to consolidate neo-liberalism. The distinction between public and private administration is no longer critical in conceptualizing public administration. Citizens are mere customers or consumers, the personnel involved in public administration are functionaries seeking to approximate the 'corporate' culture. Accountability in public bureaucracy is ascertained not only internally, but also through various external agencies, including citizen's charter (Chakraborty & Bhattacharya, 2008, p. 21). The advent of the new economic order, manifested in the form of globalization, liberalization and privatization, has brought in a new alternative system of government as well as 'governance'. The new system of governance is making the state to lose its pre-eminence as an agent of development. The government has started receding to the background from many of its traditional areas of operation and the non-governmental organizations, community-based groups and multinational development agencies have stepped in to fill that void. The thrust of the new approach appears to be of maximizing the growth potential by unleashing outward looking and market driven forces by making necessary adjustments in the structure of the economy and the manner of exercise of control over power and resources (Government of India, 2002).

The new emphasis in recent times on 'governance' (as against 'government') has thus to be judged in a wider historical-sociological perspective centered on the state-society relationships. Before dwelling on the concept of 'governance' there are three preliminary points that should have to be mentioned. First, governance as a concept and as a paradigm is the practitioners' contribution to public administration in the sense that it can be traced to the World Bank's touting of the concept in the context of Sub-Saharan Africa. Failure to repay the World Bank loans, among other things, led to its formulation. Second, the World Bank's definition of governance is very limited and is associated with administrative and managerial arrangements seeking to instill 'efficiency' in public administration. And third, governance is political as well the sense that it includes an insistence on 'competitive democracies' of the Western variety. In a way, governance is a well-defined administrative set-up that draws its sustenance from 'participatory democracy'. Its historical roots cannot be ignored, for the reason that governance was articulated when the state-led development paradigm, at the behest of the former Soviet Union, collapsed. The conceptual roots of governance are located in the neo-liberal theoretical discourses. Here, 'governance' is treated as an alternative strategy to the state-directed development paradigm (Chakraborty and Bhattacharya, 2008). It is essentially concerned with development paradigms that need to explain developmental outcomes. International and multilateral aid-giving agencies have adopted it as a general guiding principle to improve the capability of the recipient countries to handle development assistance better and utilize it more efficiently.

### 3.2. SHIFT FROM STATE-CENTRIC APPROACH TO CITIZEN-CENTRIC APPROACH

Governance is concerned with network of relationships between three actors – state, market and civil society. It is an interactive process, where government may like to impose its will but its acceptance will depend on compliance and action of others. One institution depends on another and this creates a relationship of inter-dependency. In this relationship and networks, no one institution can easily dominate, it will depend on particular process of exchange. The monopoly of political institution providing services is diluted; the private sector and institutions of civil society fill up the special gaps. New forms of institutions emerge and this finds its expression in the blurring of boundaries between the public and private sector. A range of voluntary agencies arise responding to collective concerns. In this way, governance is sometimes used as the process of interdependence, an interactive relationships between public, private and voluntary organizations in developing countries.

Sometimes, governance is concerned with the changes taking place in the organization of the state and its relationships with private sector and civil society actors. Here, academic attention turns its focus from state centric analysis to an understanding of the wider public policy system in which the institutions of government appear to be involved in processes of negotiation and bargaining. Conventionally, it is described as the transition from government to governance. Here, I have used the word 'system' so as to denote and signify the concept of 'process' as used by Easton and Almond.



Governance, like New Public Management (NPM) indicates the emergence of a more plural political world, a declining role of the nation-state, and a more complex set of societal problems. The growing respectability of governance as a paradigm coincides with those societal changes sometimes theorized as a shift from government to governance in the context of globalization: from coordinated hierarchical structures and process of societal steering to a network-based process of exchange and negotiation. Society is seen as a network of negotiating units, whose compositions vary, as do their positions in the power structure, overtime and across subjects. From a 'government' perspective, a logical structure is presupposed: thus, in this line of thinking, it is possible to identify relatively clear distinctions and connections, implications and derivations between and from policies and programmes, respectively. Seen from a 'governance point of view, the policy process must constantly negotiate logic and rationalities'. (Chakraborty & Bhattacharya, 2008, p. 2).

The traditional concepts and institutions of the 'government' are being replaced by the more dynamic and wide public-private inter-related and market-oriented concept of 'governance'. One could also interpret governance as more meaningful than that of government, including not only global, central, provincial, and local government, but also relations with civil society, the private profit-seeking sectors, the market, the family and the individual citizens, insofar as these relations bear on governing a society. Following Foucault, it may be mentioned here that power is everywhere. The perspective of governance shifts from a state-centric approach to much broader citizens-centric complex approach. Governance has widened the ambit of government by incorporating the informal, non-governmental sectors along with the institution of state in the process of governing. Governance is a much wider concept, than government. Government is basically an institution or structure, through which the process governmental and civil society organizations. Governance is about a 'reinvented' form of government which is better managed or can be managed.

'Governance', generally means the act or process of governing, specifically authoritative direction and control (Webster, 1979). To be more precise, governance can be further defined as 'the political direction and control exercised over the actions of the members, citizens or inhabitants of communities, societies and states' (Random, 1948, p. 571).

There is another dimension to the term 'governance' that must be taken into account. It is not a coincidence that the word came into prominence after the processes of 'economic reforms' or 'structural adjustment programmes' (SAP) were initiated in a number of countries under the auspices of the World Bank and the IMF. The declared objectives of these processes were to reduce the role of the market forces, secure the privatization of public entities engaged in the provision of goods and services, and so on. The slogan was that it was not the business of the state to be in business. The belief was that anything that interfered with the free play of market forces was ipso facto a distortion or a deviation. This went beyond 'reform'; it was the propagation of an ideology. Whether it was a genuine ideology or a strategy for the advancement of the economic and political interests of certain countries or cooperation is a question that we need not enter into here; probably it was a combination of the two. In any case, it is clear enough that there was a strong effort to reduce the scope for governmental activity in the economic sphere. Governance, in this perspective, advocated in favor of the neo-liberal economics as in the form of privatization, globalization, rule of the market, foreign direct investment, de-regulation, cutting expenditure for public good etc.

But, sometimes the term 'governance' also means the maintenance of law and order, the protection of property and fundamental rights of the citizen, infrastructural development of the state, a free and impartial judicial mechanism, provision for peoples' participation in the developmental planning of the state, minimal control and regulation, the quick grant of statutory and regulatory institutions and procedures as were considered necessary and to build a citizen-centric administration. Governance as an ideal highlights the importance of rule of law, human rights, participatory development and democratization. As against the managerial stand of governance, the ethical-normative dimension links 'governance' to some of the older issues in political theory. The equity and legitimacy aspects are as important, or perhaps more important, than that of good management. The governing process should provide opportunities for the people to actively participate in decision making, and the fruits of development must be universally shared and not captured by an influential minority. Down top approach vis-à-vis top-down approach should be taken into account. Peoples' perception about the governing process serves as parameter of legitimacy of governance. Citizens play a crucial role in the process of governing. Governance is a code for less government. The rise of governance undoubtedly reflects a degree of search for reduction in the resource commitment and spending of government. It involves recognition of the limits of government. Governance wants to minimize the authoritative role of the state as well as government.

Governance is a more broad process which encompasses state-society interactions and partnerships. This process-based definition thus includes a range of organizations, public and private, as well as the complex relationships between them. Institution of local government, civil society organizations, non-governmental organizations, private corporations

as well as other market institutions are all relevant actors in this new branch of knowledge of governance. Hence, governance refers to the development of the style of governing, whereby the distinction between and within private and public spheres gets blurred. Governance is, therefore, 're-invented' form of government which is better managed (Stoker, 1998). However, the shift from government to governance has had quite distinct imperatives in the North and in the South. In the North it was basically a product of fiscal crisis and the new strategies were adopted by them to bail out their government from economic and political stalemate. Whereas, in the South, it came into being as a prescription by Bretton Wood institutions to remedy the laggard and inefficient performance by these countries (Jayal and Pai, 2001).

According to the different conceptions in the North and in the South, the word 'governance' has come to be identified with the three different connotations: (a) it is an attempt to widen the ambit of public administration by going beyond formal government. Governance, in this context, stands for establishment, operation and networking of social institutions; (b) it is an externally directed term invented to prescribe aid-conditionality and (c) it is a genuinely democracy-intensifying concept.

Gerry Stoker has theoretically analyzed the concept of 'governance' in terms of five propositions (Stoker, 1998). These are:

- 1) Governance refers to a set of institutions and actors that are drawn from but also beyond government.
- 2) Governance identifies the blurring of boundaries and responsibilities for taking social and economic issues.
- 3) Governance identifies the power dependence involved in the relationships between institutions involved in collective action.
- 4) Governance is about autonomous self-governing networks of actors.
- 5) Governance recognizes the capacity to get things done which does not rest on the power of government to command or use its authority. It sees government as able to use new tools and techniques to steer and guide.

#### **4. CONCLUSION**

More precisely, governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state of affairs for institutions that govern economic and social interactions among them. Governance basically highlights the process of governing, involving the interactions between various formal and informal institutions as well as influencing the policies and decisions that concern public lives. Governance, thus, encompasses a wide range of issues from concerns about efficient government, including accountability and transparency to concerns about human rights, social cohesion, equity, democracy, participation, corruption, military expenditures, countries in crisis, and last but not least, political thought, culture and discourses (Cheema, 2001, p. 516). The governance as process also draws attention to the increased involvement of the private and voluntary sectors in service delivery and strategic decision-making. Responsibilities that were previously the near exclusive responsibility of government have been shared. Contracting out or leasing out and public private partnerships are now parts of the reality of public services and decision-making in many countries.

#### **CONFLICT OF INTERESTS**

None.

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