


# Chapter 14

## Transformation of the State and Political Economy of the Governance: A Critical Assessment of the New Institutional Economics in the Public Administration

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### ABSTRACT

*By the 1980s and 1990s, neoliberal policies such as privatizations and deregulations transforming the minimal state model to regulative state model from the Keynesian social welfare state system made some structural and functional changes in the state mechanism, and the public administration has been in the first place due to the changing relationship between the state and the market. In fact, within this context, the new institutional economics (NIE) had a remarkable influence upon the debates upon the altering role of the state. Hence, the transformation of the state in this regard also revealed the argumentations on the governance paradigm along with the doctrinaire contributions of the new institutional economics. Therefore, this chapter will discuss the transformation of the state and the political economy of the governance together with a critical assessment of the new institutional economics in the public administration.*

### INTRODUCTION

*Just at this moment, somehow or other, they began to run. Alice never could quite make out, in thinking it over afterwards, how it was that they began: all she remembers is, that they were running hand in hand, and the Queen went so fast that it was all she could do to keep up with her: and still the Queen kept crying “Faster! Faster!” but Alice felt she could not go faster, though she had not breath left to*

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*say so. The most curious part of the thing was, that the trees and the other things round them never changed their places at all: however fast they went, they never seemed to pass anything. "I wonder if all the things move along with us?" thought poor puzzled Alice. And the Queen seemed to guess her thoughts, for she cried, "Faster! Don't try to talk!" Not that Alice had any idea of doing that. She felt as if she would never be able to talk again, she was getting so much out of breath: and still the Queen cried "Faster! Faster!" and dragged her along. "Are we nearly there?" Alice managed to pant out at last. "Nearly there!" the Queen repeated. "Why, we passed it ten minutes ago! Faster!" And they ran on for a time in silence, with the wind whistling in Alice's ears, and almost blowing her hair off her head, she fancied. "Now! Now!" cried the Queen. "Faster! Faster!" And they went so fast that at last they seemed to skim through the air, hardly touching the ground with their feet, till suddenly, just as Alice was getting quite exhausted, they stopped, and she found herself sitting on the ground, breathless and giddy. The Queen propped her up against a tree, and said kindly, "You may rest a little now." Alice looked round her in great surprise. "Why, I do believe we've been under this tree the whole time! Everything's just as it was!" "Of course it is," said the Queen. "What would you have it?" "Well, in our country," said Alice, still panting a little, "you'd generally get to somewhere else—if you ran very fast for a long time, as we've been doing." "A slow sort of country!" said the Queen. "Now, here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that!" (L. Carroll, 1998, pp. 141-143).*

With the incentive of saving the world markets from the critical economic crisis arisen in the 1970s, a new era of global capitalism has been arisen and named as neoliberalism, which was truly as a product of Washington Consensus debates between international economic institutions, developed countries and some major mainstream economists. By the 1980s, the neoliberal paradigm was first launched by the political attempts of Ronald Reagan in the USA and Margaret Thatcher in the UK, and then it was endeavored to function all around the world, especially in the 1990s in Latin America and in the post-socialist countries. Within this period, for the success of neoliberal policies, it was aimed that the states would withdraw from the economic territory and give its place to the markets for the liberalization. However, by the end of 1990s, Asian Financial Crisis had a significant impact on the markets and it was recognized that the markets could not operate steady without the states' intervention. As a result, it has been needed to re-modify the state's role to become more interventionist by new market-oriented regulation policies due to the interrelation with the markets. As a consequence, it was time to the minimal state model, which replaced with the Keynesian social welfare state model by the 1980s, would be displaced by a new state model as the regulatory state model and a new kind of public administration paradigm as the governance (Majone, 1997). For this reason, firstly post-Washington Consensus debates and then the discussions upon the public administration through the concept of governance have been arisen among the economists, political scientists and other specialists in the international and national bodies, which are interrelated with this issue. In the meantime, the new institutional economics (NIE) has also a significant ground within the debates, as such: "The definition of institutions as rules is central to NIE and places governance at its heart" (Chhotray and Stoker, 2009, p. 53), and, "NIE from the economical aspect is in an appearance of a current furnishing the "governance" institutions required by the neoliberalism" (Akansel, 2016, p. 17). Therefore, in this work, it will be aimed to deliberate the transformation of the state and the political economy of the governance paradigm in conjunction with a critical assessment of the new institutional economics upon these issues.

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