

CHAPTER 8

AFTER THE KEYNESIAN PARADIGM AND THE PARADIGM OF ECONOMIC LIBERALISM, A NEW PARADIGM BASED ON "VALUES"?

Pierre BAUBY

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Université de Liège - HEC

Bâtiment N3a

Rue Saint-Gilles, 199

BE-4000 Liège (Belgium)

ciriec@uliege.be; <https://www.ciriec.uliege.be>

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After the Keynesian paradigm and the paradigm of economic liberalism, a new paradigm based on "values"? / Chapter 8

Pierre BAUBY*

Abstract

Two paradigms of collective action have structured the organization and regulation of societies since the Second World War: the Keynesian paradigm and the paradigm of economic neoliberalism.

The paper recalls the main characteristics of these two paradigms - France can be described as an ideal type of first one, thought of Friedrich von Hayek the reference for the second - and their successive crises from 1970s to 2000s.

While public enterprises played an important role in the first paradigm, and large private enterprises in the second, the social economy has certainly been increasingly present in both paradigms, but without playing a major or driving role.

We are now faced with the need to co-construct with all the actors concerned a new paradigm integrating these specific backgrounds and responding to the new challenges of globalization. It seems that such a dynamic is at work in the European Union (EU) today. Based on the European social model, common values and fundamental rights, it is possible to identify what it is essential to defend and promote along the process of globalization.

The paper put forwards the hypothesis of a possible new paradigm based on the "common values" and opportunities that could pave the way for a reconstruction of public services as well as for the social and cooperative economy and more generally of public action. In this hypothesis, the social economy would no longer be an appendix or a miracle remedy claiming hegemony, but one of the future solutions, in close interrelationship with the public economy and the "State" on the one hand and private actors and the "market" on the other.

Keywords: Keynesianism, Economic neoliberalism, Public action, Paradigm, Common values, Social and cooperative economy, Public services

JEL-Codes: B55, E12, H4, H83, P16

* Member of the Advisory Board of CRIEC-France; Member of the International Scientific Commission "Public Services/Public Enterprises" of CIRIEC International (bauby.pierre@orange.fr).

In a previous contribution, I tried to specify the “conditions of convergence between public economy and social economy organizations”. My aim was to co-construct the response to the needs of life in 21st century society (Bance, 2018), let go of unproductive oppositions, retain mutual respect for the diversity of each country’s history, traditions and creation, take into account, admit and respect otherness, manifest reciprocal willingness towards convergence and complementarities, develop alliance strategies based on the meeting of societal needs, look for co-constructions, reject any dominance of one form of organization over another, refuse all absorption or fusion, and acknowledge that no public or social economy organization has systematic, universal superiority. I proposed to combine these issues in their diversity to meet the needs of our societies. In this regard, I emphasized in particular that successful hybridization was based on participatory governance.

The aim of this contribution is to shed light on the same topic, by taking into account the process of European construction, and to go beyond the two paradigms of collective action which have structured the organization and regulation of societies since the Second World War: the Keynesian paradigm and the paradigm of economic neoliberalism.

After recalling the main characteristics of the Keynesian paradigm and the paradigm of economic neoliberalism, we will analyze the dynamics of European construction in an attempt to respond to the crisis of these two paradigms. We will put forward the hypothesis of a possible new paradigm based on the “values” and opportunities that it could present for a reconstruction of public services as well as for the social and cooperative economy and more generally of public action.

The Keynesian paradigm

The Keynesian paradigm was founded on the dynamic interrelationships between economic and social dimensions, where national, regional and local public authorities played a major role in supporting and regulating them. That led to rapid post-war growth.

Within the framework of each Nation State, it was founded on the articulation between economic and social progress: the growth of productivity was strong enough to both maintain the profitability of capital and allow an increase in real wages. This alignment between the growth of purchasing power and productivity would have been impossible under the previous competitive regulation, no business having an immediate advantage in granting salary increases by speculating on subsequent market growth. This contradictory unity between general interest and immediate individual interest called for active intervention by the State and public authorities in the economy and society, to promote and institutionalize a compromise between employers and trade unions on direct wages (collective agreements, legislation) and

on indirect wages (“the Welfare State”). Economists generally qualify this mode of development as “Fordism” (Boyer, 2004).

In France, which can be described as an ideal type (Rosanvallon, 1990), the role of the State has been particularly important. At the end of 1940s, this occurred through the creation of the ENA (National School of Administration) and the development of the “technocracy”, through new institutions, nationalizations and planning and more generally the establishment of an employment relationship ensuring the regular growth of real wages (Bloch-Lainé, Bouvier, 1986).

The nationalizations following the *Libération* represented a step towards State intervention in the economy and reorganization of a technocratic character rather than a step towards socialism: private capital was unable to bring dynamism and finance the investments necessary to overcome years of weak development, and a large public sector would give the State the means to act on the economy (Kuisel, 1984). The nationalizations after the Second World War, then those of 1981-1982, were at the heart of the stakes of public action in France. They deeply marked public action and the surrounding issues (Morin, 2020).

In the 1960s, a new stage was marked by the implementation of major technological programmes (aeronautics, electronics, nuclear, space, etc.), and the orchestrated concentration of companies to constitute in each sector one or two groups able to cope with the opening-up of European and world markets (the “national champions”).

At the same time, there were more references to the concept of “public service”, defined by the lawyers of the Bordeaux school around Léon Duguit at the beginning of the century. Education, health, but also industrial and commercial services such as electricity or transport came under the principles of equality, continuity and mutability-adaptability, with an increasing role for the State and local public authorities. This gave rise to large public monopolies, such as EDF or SNCF, but also to large private groups such as Véolia or Suez for the delegated management of some public services, even if the realities did not always correspond to the stated objectives (Bauby, 2016).

The creation of the General Planning Commissioner (*Commissariat général du Plan*) was justified by the need to allocate weak post-war resources, to meet the urgent needs of reconstruction and obtain American aid (the Marshall Plan). The State played a role in effective management of the economy, fixing prices, organizing reconstruction and the modernization of the country. But State planning initiatives also aimed to bring together the “vital elements” of the country (senior officials, experts, employers, unions) to develop the conditions for real economic modernization, based on productivity and competitiveness; this aspect became the symbol of the “concerted” economy.

By 1946, the State had become the country's leading consumer, producer, employer and researcher. It had significant regulatory powers regarding investment, credit, prices, wages and foreign trade.

However, from the mid-1970s onwards an economic crisis developed. It was due not only to a conjunctural or cyclical crisis of overproduction or overaccumulation, but also stemmed from the exhaustion of Fordism, in particular due to the contradiction between a structured mode of regulation within the framework of each Nation State and the increasing internationalization of economies and societies, in particular given the process of European integration. One of the most obvious aspects of the blockages of Fordism concerned the place and role of the state and public authorities, particularly underlined by the failures of administered economies and totalitarian societies.

Since the 1980s, State and public authorities can no longer be analyzed in the sole framework of Nation States. They also have to take into account the double process of decomposition-recomposition that affects them: on the one hand, the microsocial and the territorial and on the other hand, the process of globalization. As is often said, the State is too big for little things and too small for big things. These two phenomena are self-sustaining: European integration and globalization are accompanied, in the same movement, by the reterritorialization/relocalisation process.

From the 1980s onwards, the inability of various public policies to alleviate the rise in unemployment, inflation and poverty revived old questions about the effectiveness of public interventions.

The paradigm of economic neoliberalism

A profound ideological turnaround has taken place, with the return of arguments in favour of a "minimal State". According to such arguments, State functions should essentially be linked to ensuring sovereignty and security: enforcing the law, ensuring the security of goods and people, limiting economic action to the protection of competition. The traditional criticisms of State intervention have reappeared in broad daylight: wastage, excessive taxes, increased costs for businesses, etc. The State has been criticized for paralyzing the economic apparatus, mismanaging, restricting individual initiative, transforming citizens into assisted individuals, and even for protecting mediocrity and committing countries to the path of decline.

In a kind of pendulum movement, a neoliberal wave has deeply undermined the legitimacy of the State and of all forms of public action. We have deified business by making it the only true creator of wealth and jobs and defined its freedom as the key to all progress. It was therefore considered necessary to deregulate economic activity, restore the primacy of the market as a principle of allocation, reduce taxes and social action, free businesses from administrative constraints, question any form of "economic policy" (only the micro-economy makes sense).

The new neoliberal economic paradigm is based on faith in the ability of the market and competition to organize, structure and regulate society. It considers that, on the basis of the price system resulting from the free play of supply and demand, the market achieves “general equilibrium”, considered as being rational, an “optimum”, and the search by each agent for its own interest results in the collective interest. The market is a regulatory mechanism for coordinating and harmonizing individual interests. As a result, the functioning of the market would lead to the emergence of a spontaneous order resulting from the confrontation of all offers and demands.

The “competitive market”, rather than the “social contract”, is considered to be the regulatory principle of society. From this perspective, social cohesion, the regulation of social life and the maintenance of social peace do not require conscious and deliberate intervention by human beings in order to establish a social contract, since the self-regulating principles of the competitive market are supposed to ensure cohesion and peace without the agents who are deployed to that purpose even knowing about it.

According to Friedrich von Hayek (Hayek, 1943, 1976, 1989), the market economy is a self-regulating system which spontaneously forms a harmonious social order. Left to its spontaneous mechanisms, it produces better results than those produced by mixed economies within an active economic policy. Hayek manifests systematic hostility towards any public intervention intended to solve an economic or social problem. According to him, any such measure taken by the State produces more harmful than useful effects. State interventions break the internal capacity of complex societies to self-regulate for the greater good of the greatest number. The only tangible result of State action is the impoverishment of all.

Therefore, the State’s function and utility should only be to defend borders (sovereignty and security), maintain public order (police) and enforce the rules of the social game (justice). When it goes beyond these functions, it causes more damage than benefits and it necessarily restricts the freedom of persons and citizens.

Thus, neoliberal theory conceives general interest as the natural conciliation of individual interests on and by the market; it identifies it as “business” interest. But such reconciliation is based on strict conditions: that individuals are free to choose; that they all seek to maximize their value on all goods of all kinds; that they are fully informed about the price system; that nothing hinders their movement. Thus, the natural reconciliation of individual and general interest supposes that all individuals are bound only by market exchange relationships and follow the same rationality.

From the 1980s, the neoliberal paradigm quickly showed its limits and unacceptable aporias in each country as well as globally. The free play of the market and competition – which moreover requires organization and regulations by public authorities – spontaneously leads to the development of growing economic polarizations (concentrations leading to monopolies or oligopolies that can abuse their dominant positions), social polarizations (growing inequalities), territorial polarizations

(metropolization, desertification, gentrification), environmental polarizations (increasing externalization), generational polarizations (favouring the short term), financial polarizations (commodification of all human activities). These effects lead to the development of speculative bubbles which end up bursting, as has been demonstrated by the succession of financial, economic, social and environmental crises since 2008. This second structuring paradigm has thus shown the deadlocked situations that have appeared under its domination.

Crisis and going beyond the two old paradigms: the dynamics of the European Union

For the past ten years, the succession of these two structuring paradigms has led to economic, political and ideological confrontations, to situations where the paradigms are self-sustaining and refer to each other – more or less State, State or market, nationalizations or privatizations, etc. – while neither is today the bearer of solutions for the essential challenges of the 21st century. This is shown by the recurring debates on public services (an organic versus a functional approach in their conception, monopoly versus competition, public ownership versus delegation to private companies, etc.) (Bauby, 2011).

Today, it is not a question of returning to the model of the 1960s, to a Keynesianism repainted green, nor of seeking a synthesis or a “proper balance” between their contradictory principles, but of defining a new framework. That framework is part of the current dynamics of globalization, and would promote a multipolar world, in which the European Union and the other major civilizational groups can defend and promote the specificities of their interests, aspirations and ways of life, while sharing policies to ensure the survival of the planet.

The succession of the two paradigms during the second half of the XXth century shows that while public enterprises played an important role in the first paradigm, and large private enterprises in the second, the social economy has certainly been increasingly present in both paradigms, but without playing a major or driving role.

We are now faced with the need to co-construct with all the actors concerned a new paradigm integrating these specific backgrounds and responding to the new challenges of globalization. It seems that such a dynamic is at work in the European Union (EU) today.

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Democratic nation States were founded on the principles of democracy, in particular majority decision-making and the submission of the minority to the will of the majority, and this resulted in the implementation of a series of “social models”.

A “social model” covers the whole system of values, norms, institutions and practices which have been developed over a long history, through conflicts and compromises. It structures all social relationships between individuals and groups, their interests, aspirations, needs, demands and power relationships. A “social model” reflects the why and the how of living together; it is the foundation of society and of its cohesion. Therefore it evolves over time and space.

A “social model” cannot be reduced to the existence and content of the “social policy” defined and conducted by public authorities (local, regional, national, European) or to the importance and forms of the “social dialogue” between social partners. These elements are part of it.

Each European State has forged over time its own specific “social model” and therefore there is a great diversity of social models in the European Union, particularly given the successive enlargements. Beyond the diversity of their forms, methods and modes of organization, there are common elements that found a deep unity and allow us to speak of the “European social model”, which is different in many aspects from other entities present globally. Thus the EU has a lower tolerance for inequalities and violence, a strong sensitivity to environmental or health risks and is attached to the complementarity between the efficiency of the market economy and its necessary public regulation, the so-called “social market economy”.

The European social model has long been based on the combination of economic AND social development: economic progress generates social progress, which is itself a factor of economic progress. This is how the Treaty on European Union refers to the “social market economy”. Thus we have a virtuous circle, based, among other things, on the important role of encouraging and driving national, regional and local public action, which resulted in the development of the Welfare State and a whole series of infrastructures, such as what the European Union calls “services of general interest”.

At the heart of these common values, democracy and human rights play a major role. They represent a historical legacy resulting from political and social movements, “national revolutions”, battles and conflicts, wars and dictatorships, concentration camps and gulags, which over the past 70 years have gradually and along many hazardous paths led to the acceptance that conflict is governed by rules, “superior” common values and the primacy of fundamental rights.

These specific characteristics, which have been acquired over the past 70 years, are the foundations of what was to become the European Union.

The EU is an original, unprecedented and evolving political construct. For more than ten years, Europe has been faced with a succession and accumulation of financial, economic, social, migration, environmental and now health crises. This situation generates tendencies towards withdrawal on the part of the Member States of the European Union, on each community and person.

In each Member State, these withdrawals are reflected in the development of identity or even xenophobic trends towards the rejection of alterity, (re)construction of borders and walls, questioning democratic principles and rights in certain States, to the point that one can fear a disintegration of the gains gradually built up over the past 70 years.

But based on the European social model, common values and fundamental rights, it is possible to identify what it is essential to defend and promote in the process of globalization.

Towards a new paradigm based on “values”?

This new paradigm is to be co-constructed with all the players concerned. As far as the European Union is concerned, we propose to build on its “common values” (Bauby, 2019).

For a few years now, we have seen the development of responses that are intended to be new and adapted in terms of “common goods” or “commons”.

Commons and public services

Elinor Ostrom brought about the rediscovery of the “commons”, old local management methods that have never disappeared, but which have tended to be marginalized by the domination, on the one hand, of respect for property rights and freedoms and on the other hand, State action to set prohibitions and regulations. She has shown there can be a path between State and market, with local communities managing natural resources in a sustainable way (Ostrom, 2010).

Responding to Garrett Hardin, who in his article “The Tragedy of the Commons” argued that individuals always seek to maximize their short-term gains, leading to resource depletion, she emphasized the conditions and principles – one can say “values” – which found the Social and Solidarity Economy (SSE): users communicate with and trust each other; together they enact rules adapted to realities and issues, and undertake to respect them and ensure that they are respected.

The objective is to emphasize at the same time the need for control and proximity, collective management – one could say “self-management” – and promotion of cooperation between actors and not only competition, for a large number of services within the framework of local authorities or communities.

To be operational, this approach implies adequacy between a territory, resources, management capacity, a technical and economic organization mesh, a real participation. Thus, it is necessary to organize this convergence of resources and means on a given territory, and have actors and stakeholders interact with each other and co-construct together.

But what is undoubtedly the main obstacle to the development of the “commons” stems both from the spontaneous tendency to polarization and inequalities depending on the resources available to the “community”, and from mistrust which exists in current experiments with interventions by public and local authorities. The fight against inequalities of endowments and resources was precisely what characterized “public service” or “service of general interest”, meant to develop solidarity and cohesive relationships (economic, social and territorial) between the different levels of organization of collective life, including at European level.

Rather than setting “commons” initiatives up in opposition to “public service missions” or “universal service missions”, is it more useful to combine them, by decentralizing the organization and regulation of public services as much as possible, developing democratic participation and bringing to life the common values of services of general interest?

Nowadays, the trends and expectations that are developing in particular in the areas of public services, commons, the social and collaborative economy, etc., enable us to outline some key elements, such as:

- combine economic, social and environmental considerations, that is redefine a mode of development that is based neither on the domination of humans over nature, nor on that of a few over all, but on “contradictory unities” (Bauby, 2017)
- organize close interaction between the public economy, private actors and social economy, “state” and “market”, renovated and democratized public services and commons based on territorialized initiatives and the active participation of “commoners”, the co-construction and co-management of economic, social, environmental and democratic goals, in order to promote dynamic cooperation between all actors, elements of a concept of “co-opetition” (Brandenburger and Barry J. Nalebuff, 1996)
- combine diversity and unity, so that the latter is based not on domination, but on the integration of each situation, all needs, aspirations and interests involved
- promote subsidiarity by taking into account situations as close as possible to each territory, entrusting responsibility to a higher level only if it appears to be more effective than other levels acting separately, and doing so in cooperation. It is not a question of opposing centralization and decentralization but of deploying their interactions
- develop “multi-level” governance based on cooperation and not on exclusive competences, by combining the local-territorial level with municipal, regional, national and European levels, according to sectors and situations
- integrate the democratic participation of all in both the definition and implementation of objectives, set up “multi-actor” governance, associating public authorities, citizens-consumers-users, economic actors, operators, staff, civil society.

Rebuild public services

Thus, we could rebuild public services or services of general interest. Diversity and unity, inextricably linked, are at the heart of public service, their DNA. Public services do not involve totalizing standardization or *laissez-faire*. They are a human, societal, specific and plural construction. Their sole purpose is to meet the needs of users (individual users-consumers as professionals), citizens and society (at each level of its organization). Therein lies their only legitimacy. There can be no public service in itself, defined once and for all or anchored in fixed statutes.

As needs evolve, public services must adapt to economic, technological, social and cultural changes and political choices, in order to provide the best possible response to needs. It is also necessary to systematically organize the expression of needs at all levels, so that local, regional, national and European public authorities have the elements required to enable them to define and adapt public services.

The democratic expression of needs and aspirations should be a prerequisite for all public services. That involves breaking with any hierarchical relationship between provider and recipient, and with any form of assistance. It is about encouraging the expression of user feedback by multiple means, in particular through the interactive potentialities of digital options, and all ways of receiving and processing suggestions and complaints. This will encourage the development of associations of users, consumers and citizens with follow-up commitments and, on these bases, promote the organization of open and informal discussions and debates.

Therefore it is about organizing the expression of needs prior to decisions, as essential tools for development and adaptation to needs. This involves all “stakeholders” (in the broad sense), including public service agents. They are co-actors and co-producers of services at the local level and at the relevant organizational level according to sectors.

Today, this process of adaptation, development, participation of all stakeholders and democratization of public services appears all the more essential as the financial, economic, social and environmental crisis that began in 2008 shows the current relevance of public services. On the one hand, they compensate for and attenuate the most marked economic, social and territorial effects of the crisis. At the same time, the crisis has generated a series of quantitative and qualitative transformations of needs. It calls for redefining public services in order to make choices, define priorities and carry out needed reforms.

The Social and Solidarity Economy (SSE) opportunity

If the hypothesis of a co-construction of a new paradigm based on values is to make sense, the SSE could no longer be an appendix or a miracle remedy claiming hegemony, but one of the future solutions, in close interrelation with the public economy and the “State” on the one hand and private actors and the “market” on the other. It promotes dynamic cooperation between all actors, which can be qualified as “co-opetition” (both cooperation and competition), to combine territorial initiatives and active participation, co-construction and co-management, economic, social, environmental and democratic goals.

Based on their studies of the development of the social economy in the European Union undertaken for the European Economic and Social Committee, Rafael Chaves and José Luis Monzón (Chaves and Monzón, 2017) underline the emergence of new paradigms – social innovation, collaborative economy, circular economy, corporate social responsibility, economy of the common good, social enterprise and solidarity economy – which complement, enrich and revitalize the concept of the social economy (Chaves and Monzón, 2018).

From their perspective, the social economy is based on structural criteria, such as its social objectives, its participatory and democratic decision-making criteria and its profit distribution criteria based on the prevalence of human factors and labour over capital. They define new mechanisms for evaluating economic performance and new incentive mechanisms favouring the social dimension. They are also transversal to the public, for-profit and third sectors.

However, the place that the SSE could assume in the new paradigm, seeking to overcome the alternative between the Keynesian paradigm and the paradigm of economic liberalism, will depend on its ability to remain faithful to its founding values, that of a movement of actors who in particular:

- share a political and historical project aimed at putting people at the heart of their economic and social actions, a philosophy of collective action placing pooling and solidarity at the source and as the purpose of our organizations
- undertake to promote the fact that their organization and their activity are based on the long-term preservation and sustainability of common interests
- collectively commit to work together
- implement transparent and democratic governance practices that help distinguish them from other economic actors. This may be in guaranteeing the democratic and participatory functioning of an organization of people with equal rights, or ensuring the transparency of decisions as guarantor of the viability of the democratic principle, in particular as regards the remuneration of managers, according to procedures which make it possible to reconcile the interests of the company, external regulation, and membership of the SSE

- are aware of their responsibilities and strategic role as employers
- devote energy and the necessary resources to a collective territorial anchoring, to maintaining economic activities and structures of social inclusion, in particular in territories which suffer from economic and social fractures.

It is by being and remaining faithful to these values that the SSE can become one of the pillars of the societies of tomorrow (Bance, 2018).

Rebuild public action

More generally, the new paradigm should re-examine and re-establish the place and role of the “State” and more generally of all public authorities, from the local level to the European Union level, in a “strategic State” perspective (Bance, 2016).

The essence of a “Strategic State” is based on the fact that it is the only body in society capable of having an overall vision and ensuring its development; the strategic State is no more an “idea” without consistency and without impact than an omniscient, omnipresent, authoritarian or even totalitarian “Moloch”; placed at the heart of society’s network of contradictions, crisscrossed by them and at the same time by its own internal contradictions, the Strategic State legitimizes them, regulates them and ensures their reproduction, always, in order to never be identical, retaining its main balances or imbalances (Bauby, 2017).

State reform should not be defined, decided or implemented from the top of the group, society or State, in a centralized or authoritarian manner. It should be based on the opposite approach: systematically and continuously organizing the expression of needs, expectations and aspirations of each individual and group, a condition for bringing out collective preferences and general interest.

The usual problems of State reform appear more and more ineffective. So far, all reforming initiatives have had one point in common: they have been designed and carried out from the top of the State, “top down”, while it would undoubtedly be necessary to reverse or at least complete this approach by a “bottom up” approach, that is reforming the State through society, co-producing future public action.

State reform cannot be done in a closed arena. It involves the active participation of everyone in order to bring forth alternative solutions. It is therefore necessary to inform, initiate public debates, organize agora and popular consultations, using all the potentialities of interactive communication technologies.

The democratic participation of all the actors concerned in the reform of the State and of public action is an essential condition in order for it to be based on its aims: meeting the needs of citizens and of each community, their expectations and aspirations. It will be all the better implemented by all actors as they will have been involved from the outset in its definition, and the reform will have been “co-constructed”.

State and local, regional, national, European public authorities are essential to life in society, as well as for controlling changes in globalization. But State and public authorities are “strong”, or at least they can fulfill their roles, missions and objectives, only if they are based both on the systematic organization of the expression of individual and collective needs and aspirations, and on their evolution. They have to think about the development of multi-level systems of common or general interests, projects and policies, the organization of public debates allowing political choices to be made and then implemented, evaluating effectiveness and efficiency, in order to carry out the necessary adaptations, reforms and changes.

There are significant experiences in societies from associative or citizen mobilizations to provide answers to challenges. These represent genuine collective intelligence provided that one returns to the essence of public action: State and public authorities are not measured by their spending, their staff, or the standards they enact, but by their capacity to meet social and societal needs.

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Pierre Bauby (PhD Political Science) is Specialist on Public Action, Public Services – Services of General Interest in Europe; Chairman of Reconstruire l'action publique (RAP); Director of Observatoire de l'action publique - Fondation Jean-Jaurès; Expert on Services of general interest to the European Parliament and to the European Economic and Social Committee; Member of CIRIEC's International Scientific Commission "Public Services/Public Enterprises". Author in particular: *L'Etat-stratège du XXI^e siècle*, <http://www.actionpublique.eu>, 2017; *Service public, services publics*, La Documentation Française, Paris, second ed., 2016; *L'eupéanisation des services publics*, Presses de SciencesPo, Paris, 2011; *Mapping of the Public Services in the European Union and the 27 Member States*, Brussels, 2010.



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