

## **The new interventionist state**

Written by Gunnar Folke Schuppert

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GUNNAR FOLKE SCHUPPERT, MAR 30 2009

Discussions on the role of the state have always involved a search for appropriate metaphors. “The taming of the Leviathan,” “the state in retreat,” and even worse, the “slim state” – between fitness and anorexia – are but a handful of examples. The most popular metaphor at present seems to be “the return of the lost Leviathan.” But this metaphor is misleading. The state is not returning from foreign exile. Instead, the state is reinventing itself by rediscovering its genuine institutional capabilities, its monopolies over rule making and taxation, and the privilege of not going bankrupt.

This is not to say that the functions of states have not changed over the years. We have witnessed, for example, the interventionist state in the age of industrialisation; the planned welfare state as the answer to the so-called “soziale frage” (social question); the corporate state as an arrangement between the state and organised interests; the preventative state as a still growing danger to civil liberties; and – last but not least – the ensuring state, which combines private entrepreneurship and public responsibility for the “common good”. Now, it seems, we are observing the birth of a “new (not a “neo”!) interventionist state,” spawned as an answer to the recent financial and economic crises of yet unknown dimensions. What will this state look like and what challenges will it face?

### **A new type of interventionism**

The “new interventionist state” will neither involve a friendly nor an unfriendly takeover of market governance. The new state configuration should be understood as government not by the state but with the state. It will bring about a new type of interventionism, one which is targeted i.e. allowing intervention only in cases and areas of system-relevant importance; phase-specific i.e. sensitive to developments in the crisis to be managed; conditional i.e. establishing clear rules of the game and clear exit options; and intelligent i.e. involving new modes of governance, especially hybrid forms of governance by private and the public sector actors.

### **The challenge of generating economic growth**

Meeting this challenge will require a predominantly economic debate about the possible incentives for generating economic growth. In this debate, economic expertise is indispensable, especially with regards to the intended and – more difficult – unintended side-effects of certain economic and industrial policies.

### **The challenge of regulating markets**

The state cannot be a viable substitute for the governing capacity of the market, and it should not become a dominant market actor. Its appropriate role is to be the “market-maker of last resort.” The state is or should be responsible for “working markets” by providing a regulatory structure which functions simultaneously as an enabling and a constraining framework. We therefore return to the notion of the “ensuring state” as a dynamic concept: that is, in good-weather times, we would have a soft regulatory state but, in times of severe crises, the state would become an interventionist regulator.

### **The challenge of transnational regulation**

The main difficulty presented by global crises, such as the current financial crisis, is that the problems to be solved are transnational whereas existing regulatory powers are still based on the nation-state. This results in a regulatory vacuum or gap, which serves the interests of uncontrolled non-state actors. International and transnational regulatory structures and institutions are needed. The G7/G8 meetings are not sufficient. They are an informal type of get-

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together. There is no secretariat, there are no compliance monitoring systems, and no formal rules. The usefulness of the IMF also seems limited. It has not succeeded in stopping any of the financial crises of the past 40 years – it did not prevent the debt crisis in Latin America in the 1980s, nor the Asian crisis in the 1990s, nor the present global crisis. Instead, what is needed is a formal international organisation with a secretariat led by a secretary-general, which can act as an independent transnational watchdog.

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