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# RE-IMAGINING THE ROLE OF GOVERNMENT (STATE)

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**Abstract.** This paper responds to calls for more research into public entrepreneurship, for delivering public value as opposed to the narrower view of public goods, and for re-organising states for alternative post-capitalist governance by revisiting a long-term but unresolved academic debate: the role of the state (government). It presents conceptually relevant arguments from seminal and contemporary academic debates on the role of the state and state establishments. It demonstrates that an understanding of the role of the state is a starting point in the reorganisation of states and proposes a novel additional role that most states have not yet considered, as well as identifying the state establishments that are available to assist states in fulfilling the extended role. Propositions were developed to sustain the extended role and to indicate that the approach to re-imagining the role of the state adds value for academic, practice, and policymaker observers. The report concludes by providing avenues for further research opportunities.

**Keywords:** government role; public enterprises; public entrepreneurship; public value; state; state role; state-owned enterprises.

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## Introduction

“In the 19<sup>th</sup> and 20<sup>th</sup> centuries, national states were a dominant force, but it seems that a reorganisation of the states in the 21<sup>st</sup> century is taking place, created by both internal and external reasons (Eichhorn, 2017, p. 51).”

In a bid to better enable states to achieve their socioeconomic mandates and the quest for good governance, two sets of factors began to interact in the 1980s raising questions about some of the core precepts of the administrative state. First, there was a rise in support for a smaller, less intrusive government that burdened people and property owners less financially and administratively (Turner, Donnell and Kwon, 2017). The second reason was a claim that the national debt was out of control and that state and local governments would soon be unable to finance employee health and retirement programmes (Grönblom and Willner, 2014). Two approaches almost immediately emerged in response to these pressures for change, before a third one subsequently emerged. New public management (NPM), which adopted the business or market model as the yardstick for measuring government success, and new public governance (NPG), which emphasises the need for a collaborative approach when providing public services and collaborating with partners within and between public and non-profit organisations. Kettl (2022) refers to a third approach to change, which Pollitt and Bouckaert (2017) call the ‘neo-Weberian strategy’. This more recent approach links non-profit sector social traits with market principles. These three approaches declare themselves to be inclusive: each focusing on a unique set of strategies for reducing the scope, cost, and inefficiencies of the government (Kettl, 2022; Adebayo, 2018; Morgan & Shinn, 2014). However, our experiences with the recent COVID-19 pandemic appear to indicate that it is unlikely that states will remain small (Kettl, 2022; Tam, 2022). Rich states paid for vaccines, and poor states had to rely on the rich ones for supplies (Tam, 2022). This sort of intervention is inevitable (Sancino et al., 2020).

What Pollitt and Bouckaert dubbed ‘neo-Weberian government,’ promoted by ‘continental modernisers,’ has emerged across continental Europe (Kettl, 2022). These authors point out parts of the continental approach to public management that made it ‘Weberian’ and ‘neo’. They argued that what was Weberian has had to do with the state’s role in problem-solving; the representative democracy’s role in securing and ensuring the legitimacy of governmental systems, the crucial role of administrative law in defining the relationship between citizens and the government, and the significance of the public service and its employees in enforcing the law. It seems that Weber himself believed that representational democracy could be a source of legitimacy if it could provide the desired rational policy and results needed (Kettl, 2022; Samier, 2020). They noted that ‘neo’ involved changing the primary focus of bureaucracy from an internal organisation based on expertise and control, to an external focus based on citizens’ needs; creating new methods for incorporating citizen input; changing budgeting to accommodate more emphasis on results than just procedures; and raising the professionalisation of the public service to embrace skills in serving citizens (Kettl, 2022).

Although detailed enough, these approaches are not without limitations (as we will observe below) (for a summary see: Kettl, 2022; Sriram, 2019; Pollitt and Bouckaert, 2017; Mazzucato, 2013). The main limitation is that they pay limited attention to public value. As a result of these limitations, this paper responds to calls for further research into public entrepreneurship (Bernier, 2014), for delivering public value as opposed to the narrower view of public goods

(Mazzucato, 2018), and for re-organising states for an alternative post-capitalist governance (Mazzucato, 2020; Zanoni, Contu, Healy and Mir, 2017).

This conceptual paper revisits a long-term but unresolved academic debate: the role of government. An understanding of this role of government is a starting point in re-organising states for the alternative post-capitalist governance. Thus, this paper further articulates government role, identifies the role which government ought to be performing in order to deliver public value but which is not yet articulated; and aligns the role of the state with government establishments available for delivering public value.

Acknowledging that states usually proceed along different paths in terms of their role and that each state tweaks different forms of approaches to its circumstances (Kettl, 2002), this paper does not address the role of the state in particular states or continents, but generally. Nevertheless, the intention is not to develop a one-size-fits-all argument, but rather to hope that the arguments in this paper trigger some form of reasoning among practitioners, policy makers and public sector role players, which may eventually lead to exploring the broader aspects of the role of the state in this paper.

This paper makes three primary contributions. The first identifies the established role of state. The second extends the role of state by taking into account seven separate but relevant theoretical views (Adam Smith, Beveridge, Keynes, NPM, NPG, Marx and neo-Weberian), in setting the context and developing arguments for the appropriate minimum role of the state necessary for meaningfully re-organising states. The third aligns established and extended state role with state organs that could assist states in fulfilling their role.

Following the introduction, this paper proceeds thus: Section 2 discusses the role of state and forces shaping state's role. Section 3 discusses re-organising states, extends the role of state and presents a synopsis on extended state role and private enterprises, before discussing extended role of state and state establishments. It concludes by providing avenues for further research.

## Role of the state and forces shaping the state's role

Although not often debated, there is a clear demarcation between the terms 'government' and 'state'. 'Government' refers to the aggregate of persons that form the system by which a nation or territory is ruled or governed<sup>1</sup>, while the 'state' represents an institution of national administration, and it comprises the government, the public service, the judiciary, the police, and the armed forces (Stilwell, 2012). Since government changes over time, the term 'state' may better represent government for the purposes of this study. The role discussed in this paper is for states in general and not for a particular government, considering that different governments usually have different ideologies that determine how they operate. This paper thus proceeds with the term state instead of govern-

<sup>1</sup> Collins. (n.d.). Definition of government. URL: <https://www.collinsdictionary.com/dictionary/english/government> (accessed 16 August 2021); Merriam-Webster (2017). Definition of government. URL: <https://www.merriam-webster.com/dictionary/government> (accessed 16 August 2021).

ment (when referring to states generally and government when referring to particular governments within states), having introduced the subject matter in line with earlier studies (role of government). Also, for the purposes of this study and as used in similar studies, 'state' means the same thing as 'country'.

Deciding what states should do and not do remains a difficult task (Kettl, 2022; Abramov, Radygin and Chernova, 2017). The generally accepted role of the state in any country is complex (Stiglitz and Rosengard, 2015). This complexity stems from three determining factors: ecological, political and ideological (Abramov et al., 2017). Moreover, the role of the state depends on existing socio-economic factors as well as long-term influences on current behaviour. In addition to these, the role of the state is influenced by the demands of groups present within a state and the political tussle between these groups and the state (Marx (1867), 1967). Further, this role depends on people's ideas about what is right, appropriate, necessary and legitimate (Morgan and Shinn, 2014), as well as the willingness of the state to pay for public goods and services (Milicz, 2016). This explains why the role of the state has changed tremendously over time in most countries and has varied among countries at any given point in time (Abramov et al., 2017; Friedman and Friedman, 1980).

Even though the role of the state has been a topical issue for many decades, it is still as relevant now as ever. This is as a result of the fact that the perceived role of the state in a country affects the socioeconomic and political policies in place as well as the objectives of public organs. The discourse below points out that many insights regarding the role of the state have not been documented, partly as a result of excessive focus on the role of the state according to Smith (1776), so that there is more focus on the public goods that states create instead of the public value that states create (Mazzucato, 2020; 2018). Value creation entails the ways in which different types of resources (human, tangible and intangible) are created and interact to produce new goods and services (Mazzucato, 2018). In this context, public value entails democratic and social outcomes that are valued by the public and that add value to the public arena.

Evaluating the state's role as an owner is a starting point in choosing socioeconomic policy (Abramov et al., 2017). Since the perceived role of the state in a country affects the socioeconomic policy in place (Mazzucato, 2018), as well as the objectives of public enterprises, it is important to review the role of the state from time to time in order to identify the combination of socioeconomic policies for which state establishments are to be used (Abramov et al., 2017; Del Bo, Ferraris and Florio, 2017). Aside from this, reviewing the state's role over time also brings to the fore the forces that have been shaping the state's role, which are discussed below.

### **NPM, NPG and neo-Weberian approaches**

As indicated earlier, the quest to ensure that governments are comprehensively involved in citizens' welfare gave rise to NPM and NPG. NPM aims to improve the citizen-responsiveness and accountability of government services. An approach used by NPM is the quantification of performance, which some academics and practitioners generally agree has had a variety of benefi-

cial results (Morgan and Shinn, 2014). However, NPM encourages performance assessment at the expense of fairness, equity, the protection of human rights, transparency, and other values that are essential for determining the legitimacy of democratic institutions, practices, and outcomes (Adebayo, 2018; Morgan and Shinn, 2014). The lack of attention to these aspects is one of the reasons for its unacceptance in many parts of the world. Hence, practitioners and academics have launched a countermovement to firmly position substantive political values at the centre of the governance debate in response to concerns about the narrow instrumental focus of NPM. Three components of public governance that promote trust and legitimacy but are either ignored or undervalued by NPM are given a lot of attention in the NPG approach (Adebayo, 2018; Morgan and Shinn, 2014). The first is that NPG places a strong emphasis on values, holding that governments should focus on furthering the common good. Further, NPG appears to enhance the value offered by all government initiatives as well as provide greater efficiency, effectiveness, or responsiveness in the implementation of a specific programme. NPG also emphasises creating government policies that make it simpler for various parties to come to practical agreements (Morgan and Shinn, 2014; Alford, 2002). This is as a result of the NPG viewing politics as the politically mediated manifestation of collectively determined choices that the population considers desirable, in contrast to the NPM philosophy, which sees politics as the accumulation of individual preferences (Morgan and Shinn, 2014; O’Flynn, 2007). Nevertheless, both movements encourage cooperation.

The neo-Weberian argument frames an alternative approach to both the NPM and NPG approaches to bureaucracy – as well as the significance of Weber’s fundamental work in structuring contemporary bureaucracy. Although parts of Weber’s key principles have been rejected by each of the other two approaches described above, Weberian principles, it appears, influenced the foundation for the approaches. The neo-Weberian approach has its shortcomings as well, in that it excessively focuses on businesses in the economy (Kettl, 2022; Samier, 2020), at the expense of debating key aspects of the role of the state, and that in terms of modern public administration, especially in the areas of technical and operational complexity, Weberian theory leaves us with far more questions than answers (Kettl, 2022). However, it is impossible to enter the twenty-first century or begin administrative changes without taking into account the fundamental Weberian strands of bureaucratic thought, thus emphasising the importance of Weber’s work on public administration (Kettl, 2022; Netelenbos, 2020; Samier, 2005). As we will observe below, Kettl (2022) might have rightly pointed out that in attempting to re-organise states, classical sources are still relevant to the post-capitalist era. Compared with the 20th century, as indicated in the quote in the introductory stage above, in this post-capitalist era, national states are no longer a dominant force. On the one hand, there is fierce competition between states and private sector enterprises (PSEs) (Zingales, 2017). On the other hand, citizens are demanding increased provision of public goods and services without wanting an increase in taxation (Bird, 2015; Micklethwait and Wooldridge, 2014). In this context, Micklethwait and Wooldridge (2014), in arguing for a fourth industrial revolution, note

that the welfare state has grown too large to afford and that there is a need to forge a limited state that reduces costs. They contend that by giving as many powers as possible to local governments, this limited state will be able to involve citizens and also use non-partisan technocrats or specially appointed commissions to decide on issues that affect the long-term and common good, like monetary policy or cutting back on spending on entitlements. One thing that commentators are often silent about when discussing approaches to public management is that a shift from one approach to another approach results in either an increased or reduced state role.

The quest for good governance is the key to the shifts in these approaches to public management (Arva, 2019). Arva (2019) notes that in the post-millennial years, significant advances in public administration have included changes in the role of the state and the definition of the term 'good governance'. If the state considers and works within the parameters of the public good, it can be said to be good if it meets the needs of people, communities and companies in the best possible manner (Lisiecka and Papaj, 2008). Lisiecka and Papaj (2008) contend that the idea of NPM should be seen as the origin of good governance and that the terms public governance and good governance may be used interchangeably. With the involvement of stakeholders, good governance entails the proper identification and implementation of social problems by public authorities. For the purposes of this study, good governance may be seen as re-organising the role and capacity of states to create laws and policies, delivering high-quality services, and fostering partnerships. Good governance is when public officials work in collaboration with stakeholders in the management of societal issues, such as effective and efficient government (Phago, 2013; Lisiecka and Papaj, 2008).

Although the approaches described above encourage cooperation, it is important to distinguish between NPG, NPM and neo-Weberian approaches when working with the commercial and non-profit sectors: while NPG is interested in enhancing the capacity of local organisations (such as state establishments) as a way to develop civic infrastructure and a community's overall capacity to be self-authoring, NPM is primarily interested in using the non-profit and private sectors to provide goods and services at a low cost and efficiently and effectively (Adebayo, 2018). The neo-Weberian approach, in addition to combining the models of intervention in the NPM and NPG, also involves strategies for carrying citizens along (Kettl, 2022). Thus, as indicated earlier, they support collaborations. This collaborative role appears to point out that these approaches originate from some of the classical sources discussed below.

Following from the above, the missing link between NPM, NPG, neo-Weberian and the state role discussed in this paper is that NPM, NPG and neo-Weberian approaches pay limited attention to public value. While it is acknowledged that compared with NPM, NPG and neo-Weberian pay attention to public value, as we will observe below, there are several other aspects of public value that they all do not cover, like involving citizens in the process of value creation. In this regard, the role of the state is key, as policy choices heavily rely on a state's perspective on the role of the state in the economy. The traditional view of the

role of the state has constrained states abilities to create public value. As a result, states are unsure of their role (Li and Maskin, 2021; Stiglitz, 2021). The debate about state role should focus more on the question of what value a state creates, because to question state role is to question its value in and of itself. The stories regarding the role of the state, as we will note below, have undermined state confidence, and limited the contribution of states in shaping the economy. It has further undervalued states' contributions to national output and wrongly led to excessive privatisation and outsourcing, following NPM and NPG arguments. This has resulted in ignoring the call for taxpayers to share in the rewards of a collective public process of value creation while enhancing more value extraction (Mazzucato, 2018). Part of these stories is that a state is susceptible to corruption and laziness as there is no clear-cut demarcation between agent and principal (Peng, Bruton, Stan and Huang, 2016) instilling fear of failure in several states and resulting in states watching PSEs take centre stage while emulating them (Li and Maskin, 2021; Mazzucato, 2018). Thus, states have been at the backstage of innovation, with observers documenting that innovation and entrepreneurship come from PSEs (Stiglitz, 2021). In this regard, Mazzucato (2018) notes that PSEs are able to convince states that they are being subjected to too much regulation and red tape, ignoring that they are simultaneously dependent on government-funded R&D. However, the opposite is true, as these PSEs receive more support than core public service organisations while failing to provide the jobs or innovation necessary to justify such support. To achieve public value, the role of the state must shift from one of stimulating demand to one of being a more targeted, proactive, and entrepreneurial state capable of taking risks by establishing a networked system of actors charged with harnessing private sector competencies and efficiency for delivering the national good over a medium-to-long time horizon (Mazzucato, 2016; 2015; 2013; Tonurist and Karo, 2016; Johnson, 1982; Marx (1867), 1967; Beveridge, 1944; Keynes, 1926). In this regard, the states need to better understand how their investments lead to the emergence of the most successful companies in order to structure a better risk-reward initiative. Thus, in reorganising the state for alternative post-capitalist governance, there is a need for a functional risk-reward dynamic that will replace the dysfunctional 'socialised risk'. Currently, in the dysfunctional 'socialised risk' system, the public sector establishes platforms for PSEs to thrive, resulting in 'privatised rewards', in which PSEs take it all (Stiglitz, 2021), which characterises the current economic crisis and is evidenced in modern industry as well as in finance (Li and Maskin, 2021; Mazzucato, 2013).

In this context, Li and Maskin (2021) and Mazzucato (2020) note that the state's spending, especially on stimulus packages, does not involve creating structures geared towards rewarding public investment that turn short-term remedies into the means for an inclusive, sustainable economy. Mazzucato (2020), thus contends that there is a need for structures like a citizens' dividend in which citizens own equal shares in a fund tied to the national wealth, which is necessary for transforming the story of state intervention and creating a more equitable economy. She argued that in addition to aiding in the establishment

of a better system of reducing inequality and socialising both risks and rewards, this is also necessary to ensure that the states have the capacity to spearhead future innovation, noting that it promises useful returns since reducing the ability of the state to either collect tax or to receive its fair share of the returns affects its future ability to take such a risk. Many observers are against direct returns to the state for reasons that it earns a return through taxation (Stiglitz, 2021). However, the unsustainability of this taxation system needs to be unpacked. The first issue with this is that the taxation system is usually not fair and square (Li and Maskin, 2021). The second is that the tax system was conceived only to support the delivery of public goods and not to support large-scale innovation drives, for which states are often involved, and emergencies like the recent COVID-19 pandemic. The third is that this argument does not take into account tax avoidance and tax evasion (Mazzucato, 2013). Hence, calls by Muzzacato (2020) and others to re-organise states are relevant.

## Re-organising state

### **Traditional role of the state**

The summary of the foregoing discussion is that there is a need to re-organise the state in such a way that its efforts towards innovating and creating public value are obvious and rewarded and that states take on new role. The call for a citizens' dividend by Mazzucato (2020; 2018; 2013) reflects one of the ways in which this could be achieved. This study in extending the role of government has further documented ways by which the state could be re-organised to ensure a fair risk-reward system between states and private actors, for states and citizens.

Regarding the role of the state, it appears Smith (1776) was the first documented scholar to have commented on the role of the state. This explains why Smith's (1776) arguments on the role of the state continue to be widely accepted, at least among practitioners, the masses, some academics, and, most importantly, laymen. The debate on the appropriate role of the state arguably cuts across two important topics: socialism and capitalism, which have been at the core of academic debate for some time now (Peng et al., 2016; Beveridge, 1944; Keynes, 1926). Thus, the debate about the state's role is far from conclusive.

In this context, at a time when many people did not see the importance of examining how the state should proceed, Smith (1776) presented the following argument relating to the role of the state: the state should be a night watch state; the state should be small and quiet (Keynes, 1926). Smith (1776) argued that individuals could look after themselves once the state had provided them with basic conduct guidelines, rules and regulations; basic survival needs; and protection. Consequently, Keynes (1926) submits that Smith (1776), in his role of state arguments, was probably ready to allow individuals to use their natural efforts in providing public goods in order to better their own condition. In addition, Smith (1776) added that, in doing so, the state should systematically withdraw from providing social welfare and public goods. Accordingly, the state should concentrate on and limit itself to protecting citizens from violence and regulating market transactions (Huat, 2016), be small and quiet.



Along these lines, Smith (1776, pp. 182–298) observes that the state has only three duties to perform, three duties which he refers to as being of great importance:

- The first duty is to protect the society from the violence and invasion of other independent societies;
- The second duty is to protect every member of the society from the injustice or oppression of every other member of the society, or in other words, the duty to establish an exact administration of justice;
- The third duty is to establish and maintain certain public works and certain public institutions, which can never be for the interest of any individual or a small number of individuals because the profit from the provision of these public goods and services will not be sufficient to cover the costs/expenditure incurred (Smith, 1776, p. 182–298).

From Smith's (1776) role of the state above, we can deduce what the first two duties entail – protecting individuals and society from internal and external coercion. Smith's (1776) third duty role, though arguably the most important, poses the most worrying issues because it is not clear whether it entails establishing state entities or public enterprises (Friedman and Friedman, 1980). Smith (1776, p. 211) himself acknowledged that the third duty is a complicated one. It appears this third role entails the establishment of state entities (SEs) or statutory boards (SBs), which virtually all states throughout the world have. While Smith (1776) did not aver that the state should own means of production for commercial purposes, he did not avow that the state should not own means of production in the first place. Smith's (1776) stance, though not expressly stated, appears to be that, in addition to erecting and maintaining public works for facilitating commerce, states should own public entities through which they can produce those public goods and services that private enterprises may not be interested in. This ambiguity in Smith's (1776) third role and the Marxist's socialist idea (Sappideen, 2017; Li, Xia, Long and Tan 2012; Fitriningrum, n.d) of state ownership of means of production (Marx (1867, 1967) have resulted in states justifying their roles on various grounds. In addition to these, there have been differences in states over the centuries. In this regard, given that the states of the 1770s and 1780s (the eighteenth century) were different from the states of the nineteenth century, and the states of the nineteenth century were not the states of the twentieth century, just as the states of the twentieth century are not the states of today (the 21st century), several states have used the above arguments to justify different ranges of state activities connected with means of provision and production of not just public goods but also of commercial goods as well. In this context, Bresser-Pereira (2016), in discussing models of the developmental state, has described the essence of a moment/period in state reforms.

This ambiguity of the role of the state partly explains the difficulty associated with stating the purpose of establishing a state institution, what such an institution should pursue, and justifying what the institution ultimately pursues. Thus, because the intentions of those who established state institutions and those who administer them are often different and not properly articulated and/or communicated, the outcomes too often differ from the intended ones. This uncertainty

on what constitutes and should constitute the third role of the state, pointed out by Smith (1776), partly explains why many states own means of provision and/or production in the capacity of state-owned enterprises (SOEs), SOEs-related state invested enterprises (SIEs) and sovereign wealth funds (SWFs). However, the mode of operation of these enterprises and their mandates differ from state to state, depending on the interpretation of the role of the state, in addition to the points made above.

Even though it is not entirely clear whether Smith's (1776) third state role stresses owning public enterprises as part of the role of the state, several authors after Smith (1776) have, while identifying a state role, communicated the importance of owning public enterprises as part of the state's role, albeit for delivering different ends. Notable among the commentators of this importance are Hanson (1958), Seidman (1954), Beveridge (1944), Keynes (1926) and Weber (1922; 1968). Hanson (1958), Seidman (1954), and Weber (1922; 1968) did not debate what role the state should play regarding ownership; they only pointed out that the state should own enterprises. However, Weber (1922; 1968) discussed bureaucracy generally, and Beveridge (1944) and Keynes (1926) debated the role that the state should play. In this context, Kettl (2022) notes that Weber's role as a founder of the study of administration is important for two things: capturing the essence of bureaucracy and connecting it to the role of business in the economy. Beveridge's (1944) and Keynes's (1926) arguments are especially helpful for this study.

Noting that Smith's (1776) first two roles of the state appear to entail protecting citizens and providing public goods, Beveridge (1944) helpfully submits that several other issues are connected with the state's role. Thus, Beveridge (1944) contends that the role of the state should include the provision of full employment for its citizens and the control of industry. The argument in this instance is that, in contrast to Smith's (1776) role of the state, which appears to have argued that the state should be a night watch state, Beveridge (1944) contends that the state needs to extend beyond a night watch state in order to fulfil its mandates. While writing on full employment, Beveridge summarises this argument thus:

To ask for full employment while objecting to these extensions of state activity is to will the end and refuse the means. It is like shouting for victory in total war while rejecting compulsory service and rationing (Beveridge, 1944).

Consequently, it becomes clear that even though the state possesses powers to protect its citizens, to make rules and regulations, and to enforce these through penalties and sanctions, the numerous ends it is expected to meet cannot be attained through the exercise of those powers alone. In order for the state to fulfil all its mandates, it will have to extend its role beyond that of a night watch state (Beveridge, 1944). That the state will need to move beyond a night watch state further prompted Beveridge to argue that:

The underlying principle ... is to propose for the state only those things which the state alone can do or which it can do better than any local authority or than private citizens either singularly or in association, and leave to these

other agencies that which, if they will, they can do as well as or better than the state ... The state must do new things and exercise some controls which are not now exercised by anyone (Beveridge, 1944).

Further, regarding extending the role of the state, Keynes (1926) simply agrees with Beveridge (1944), albeit with a few differences. In this instance, Keynes (1926, p. 46) submits that:

I come next to a criterion of *Agenda* which is particularly relevant to what it is urgent and desirable to do in the near future. We must aim at separating those services which are technically social from those which are technically individual. The most important *Agenda* of the state relate not to those activities which private individuals are already fulfilling, but to those functions which fall outside the sphere of the individual, to those decisions which are made by no one if the state does not make them. The important thing for state is not to do things which individuals are doing already, and to do them a little better or a little worse; but to do those things which at present are not done at all (Keynes, 1926, p. 47).

In this way, the main difference between Keynes' (1926) and Beveridge's (1944) arguments is that while Beveridge (1944) supports a collective role, Keynes (1926) was silent about a collective role. However, in discussing how a state should proceed, Keynes (1926, pp. 47–49) appears to have argued that collective action is a possibility. The reason for this support for a collective role can be linked to the assertion by Beveridge (1944) of the distinction between what PSEs will be willing to do and those decisions and actions PSEs will not be willing to take. As rightly observed by Smith (1776) in his third role, PSEs do not engage in providing public goods and services mainly because they cannot afford it, or because there will be no inflow of economic benefits to private role players from such decisions and actions. The reasoning by Beveridge (1944) is that these actions can be jointly taken by public and private role players. Further, Keynes (1926) submits that there should be a separation between the social role and the commercial role. This is because it will more likely be difficult to achieve both social and commercial roles at the same time using a single medium; in this case, any of the state establishments. However, it is possible to power some sort of social objectives into commercial objectives and vice versa, while structuring state establishments in a way to accommodate these.

Another difference between the arguments of Beveridge (1944) and Keynes (1926) presented above is that Beveridge (1944) asserts that the state should do what it can do better than other sectors, regardless of whether other sectors are already doing it or not, whereas Keynes (1926) does not support state action when other role players are already present. Moreover, while Beveridge (1944) argues that the state must do new things, he did not set out what new activities and new controls the state should undertake, but merely identified three areas on which the state could focus. However, Keynes (1926) did. The statements below, flowing directly from Keynes' (1926) argument above, summarise Keynes' (1926) arguments on the agenda of the state:

... Many of the greatest economic evils of our time are the fruits of risk, uncertainty, and ignorance. It is because particular individuals, fortunate in situation or in abilities, are able to take advantage of uncertainty and ignorance ... and that big business is often a lottery. The same reasons cause unemployment of labour, or the disappointment of reasonable business expectations, and of the impairment of efficiency and production ... I believe that the cure of these things is ... partly to be sought in the collection and dissemination of on a great scale of data relating to the business situation of all business facts which is useful to know. These measures would involve society in exercising directive intelligence through some appropriate organ of action over many of the inner intricacies of private business ... My second relates to savings and investment. I believe that some coordinated act of intelligent judgement is required as to a scale on which it is desirable that the community as a whole should save, the scale on which these savings should go abroad in the form of foreign investments, and whether the present organisation of the investment market distributes along the most nationally productive channels. I do not think these matters should be left entirely to the chances of private judgement and private profits, as they are at present (Keynes, 1926, pp. 47–49).

Though Beveridge did not give a direct account of the new thing(s) the state should do, as previously stated, Beveridge (1944) outlined three areas in which the state's outlay could cover:

There is communal outlay on non-marketable goods and services, including defence, order, free education, a national health service, roads, drains, and other public works. There is public business investment in industries now under public control or which can be brought under it hereafter, increasing the sector of enterprise in which investment can be expanded steadily. There is private business investment; here through a new organ – described as a National Investment Board – the state, while preserving private enterprises, can, by appropriate measures, coordinate and steady the activities of businessmen (Beveridge, 1944, p. 30).

### **The extended role of the state**

Remember that the two established roles of the state, as argued by Smith (1776) and supported by Beveridge (1944), are:

- Protecting citizens (Smith, 1776, p. 689);
- Providing public goods (Smith, 1776, p. 689; Beveridge 1944, p. 30).

It was pointed out earlier that the third role is unclear and needs to be unpacked. From the above arguments, in unpacking the third role, this study is now able to extend the role of the state beyond the night watch state presented by Smith (1776). At a minimum, in addition to the two state's roles above, the state's role should include:

- Collecting and disseminating information about private enterprises as well as coordinating and steadying the activities of businessmen (as identified by Keynes, 1926, p. 48, and Beveridge, 1944, p. 30);

- Distributing and investing savings and reserves along productive channels nationally and internationally (as identified by Keynes, 1926, pp. 48–49);
- Engaging in public business activities (as identified by Beveridge, 1944, p. 30); and
- Engaging in private business activities (as identified by Beveridge, 1944, p. 30).

### **Extended role of the state and private enterprises: a synopsis**

The extended role mirrors what Mazzucato (2020; 2018; 2013) has been clamouring for. Four propositions guide the extended state role discussed in this section. The issue regarding the first role of the state identified by Keynes (1926) – collecting and disseminating information about private enterprises – and Beveridge (1944) – coordinating and steadying the activities of businessmen – is that it may be difficult to collect reasonable information about PSEs and steady their activities without the state partnering with these PSEs. The first proposition (**P1**) is that a partnership between the relevant state establishments and PSEs is likely to make the collection of information on the activities of private companies feasible and cost-effective. In this regard, Aiken and Hage (1968) concur that such collective organising methods lead to higher rates of internal communication while reducing formalisation and centralisation. Further, Ackers (2014) submits that such an organising method promotes individual and societal interests while incorporating social welfare into economic transactions. The argument in this instance is that the state needs to partner with PSEs in order to collect the reasonable information necessary to keep the profit motives of private enterprises in check. Uncovering the truth about private business activities not only helps states to better design policies but also has the tendency to help the market system work better (Mazzucato, 2013). This backs up Beveridge’s (1944) argument that states will have to do business in both the private and public sectors in order to get this information.

Citizens are not equipped to carry out this information collection on PSEs. The states, on the other hand, might be equipped to collect information on PSEs, but at a cost that depends on the mode of collection. Thus, aside from the high cost of collecting such information, information collected at arm’s length will not be as detailed as when the state itself is involved in the activities of these PSEs. As Jacobs (1974) rightly admits, you can only control an enterprise to the extent that you have sufficient intelligence about the enterprise’s activities. This is, in fact, one of the reasons why Beveridge (1944) suggested that the state should own both public and private business enterprises in order to use the private-oriented enterprises owned by the state to coordinate and steady the activities of private businesses, leading to the second proposition (**P2**): that states may need to engage in both private and public businesses in order to be able to curtail and steady the activities of businessmen. Consequently, Aiken and Hage (1968) contend that some objectives can only be achieved through some form of collaboration because, in addition to the reasoning that objectives may sometimes be complicated, there is usually also the presence of tremendous risk. Thus, an organisation may be forced to enter into some form of collaboration in order to achieve those complicated objectives and reduce risk along the way.

In the fourth, fifth and sixth role, Beveridge and Keynes were concerned with three entirely different things. While Keynes (1926) was concerned about investing national savings and reserves, Beveridge was concerned about public and private investment aimed at coordinating and controlling private sector investment activities and about public investment targeted at contributing to the national budget. Thus, from the above, it is clear that there is a difference between investing savings and engaging in commercial activities and that there are different state establishments to deliver these (SBs, SOEs, SIEs and SWFs). In this regard, while the capital of enterprises engaged in investing savings will come from all sorts of national reserves, the capital of enterprises engaged in commercial activities will be from commercial operations and other forms of funding, for example, loans. Further, the role of investing savings is an important one. Huat (2016), writing on the Singaporean case, relays this importance, noting how the decision to save and invest savings protects a country's domestic economy against financial crises and keeps interventionist organisations, such as the IMF and the World Bank, at bay (Huat, 2016).

This indicates the third proposition (**P3**): that a state's savings may likely protect a state's domestic economy against unforeseen financial crises while limiting the activities of interventionist organisations. While the state should make the decision on saving and investing public funds, as Keynes (1926) correctly points out, it may be prudent to involve PSEs in making and implementing these investment decisions. The reason for this is that, as Beveridge (1944) and Grossman (2012) rightly observe, PSEs can sabotage the activities of the state in maximising returns on savings. The argument in this context is that the state needs to partner with private enterprises in investing savings and reserves efficiently and effectively (Keynes, 1926), leading to the fourth proposition (**P4**): that PSEs can sabotage the activities of the state establishments operating in the private domain as a result of PSEs' superiority in terms of market information. A solution is for state establishments to partner with PSEs. This idea does not suggest that states cannot make sound investments on their own. The argument is that the involvement of private role players will, among other things, mean that the activities of states will not be sabotaged by private role players who, even though they are, to an extent, controlled and regulated by the state, are already present in the markets where the state may want to invest and who, arguably, have more information on these markets than states do; and hence, may decide to frustrate the activities of states since some are big and even compete with states (Zingales, 2017; Berle and Means, 1932). In this context, Berle and Means (1932) argue thus:

The rise of the modern corporation has brought a concentration of economic power which can compete on equal terms with the modern state – economic power versus political power, each strong in its own field. The state seeks in some respects to regulate the corporation, while the corporation, steadily becoming more powerful, makes every effort to avoid such regulation ... The future may see the economic organism, now represented by the corporation not only on an equal plane with the state, but possibly even superseding it as the dominant form of social organisation (Berle and Means, 1932, p. 82).

### **Extended role of the state and state establishments**

Since there are establishments owned by states, their existence is in line with fulfilling certain public-sector policy objectives. These policy objectives for which state establishments are to be used depend on the interpretation of the role the state by their owning states. Bearing the above discussion in mind, Keynes (1926) rightly notes that while the most important task of economists is to distinguish the agenda (role) of the state from the non-agenda, the complementary task of politicians, and politics generally, is to design forms of the state capable of achieving the agenda within a democracy. Equally, the role of organisational sociology and organisational economics is to design organisational forms capable of delivering organisational objectives. While the role of the state regarding the agenda has been discussed above, it is important to discuss the associated role of the state establishments as a means by which the state can achieve its role.

These state establishments – SBs, SOEs, SIEs and SWFs – should be fulfilling the last four of the six extended state role above and, in the course of doing so, providing a means for achieving the second role – providing public goods. In this context, SBs, which are those state entities usually established within a state ministry and charged with the responsibility of providing public goods and services (Huat, 2016; Matui, 2010), are to fulfil the first and second role – protecting citizens and providing public goods, while all public enterprises in conjunction with SBs should be fulfilling the third role in various capacities – collecting and disseminating information about private enterprises and coordinating and steady-ing the activities of business men. Specifically, SWFs, which are enterprises that invest state reserves (Huat, 2016), are better placed to fulfil the fourth role – distributing and investing savings and reserves along productive channels nationally and internationally. SOEs, which are enterprises that are created to attain states' social and economic goals (Grossi, Papenfuß and Tremblay, 2015) should be fulfilling the fifth and sixth role – engaging in private business activities and engaging in public business activities. Thus, the importance of the state's investment in SIEs, which are enterprises in which states have stakes (Clo, Fiorio and Florio, 2017), becomes obvious. Accordingly, even though SOEs may at present be doing other things, they are part of the mechanisms (public enterprises) through which the state can undertake some of the items on the agenda highlighted above. Additionally, SBs and SWFs are the other establishments through which the state can achieve its role. Attempting to specify the role of the state is a basis for arguing which particular role public establishments should undertake and how these public establishments can be made to work with each other in achieving the role of the state. These establishments, in fulfilling the role of the state, especially SOEs, SIEs and SWFs, are often able to contribute to the national budget – thereby ensuring that the states can take on more risks in terms of creating platforms for businesses to thrive while further delivering more public value to citizens that demand more in provisions but less in taxation. Taken together, Mazzucato's (2020; 2018; 2013) call for a citizens' dividend could be achieved by mandating these establishments in working with PSEs to contribute to such a fund; otherwise, they could contribute to the national budget, which will in turn improve citizens' standards of living if properly channelled.

## Conclusion

This conceptual paper reimagined the role of the state with the aim of properly articulating the established role of the state, identifying the role of the state that has not yet been articulated, and aligning the role of the state with the state establishments. In doing this, the importance of engaging PSEs in order to facilitate states' achieving certain role came to light. Furthermore, the role of the states' establishments in serving as states' information gathering agents, among other roles came to the fore. As such, this paper has extended the role of the state, identified the state establishments that are key actors in the fulfilling state role and matched the role with the establishments.

As with any study of this nature, there are bound to be limitations, providing avenues for further research. Future studies could explore in detail the extent of PSEs' commitment to partnering with the states in fulfilling public-sector mandates, considering that, as pointed out earlier, PSEs are not really engaged in providing public goods and services, mainly because they cannot afford it or because there will be no inflow of economic benefits to private role players from such decisions and actions. Future studies could also converge on the relevance of the extended role of the state and further debate how best to achieve it. At this stage, an important future study would be one that explores role separation between the different state organs: SOEs, SBs, SIEs and SWFs, as this is, in most cases, blurry at the moment. This is important for indicating avenues where state establishments and PSEs could work together and for identifying state establishments that could easily work with PSEs and achieve the benefits of partnering with PSEs described above.

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