

## Reconstructing a New State in the Age of Neo Liberal Era

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**Abstract:** *There are many schools of thought that continue to articulate various perspectives on the state. The most prominent ones in contemporary debate are the concepts of a welfare and capitalist states, as there are realistic examples to prove an argument that one is superior over the other, vice-versa. But with the age of globalization, a new type of state has emerged, often referred as a 'Neo Liberal Welfare State'. It completely overhauled the concept of social contract professed by thinkers like Thomas Hobbes, John Locke and Rousseau who core arguments revolved between the individual and a creation of sovereign government either through consent, elections or general (real) will. The Neo Liberal Welfare state focusses on the relationship between 3 actors: Government, Corporate and Community with intention of developing a transparent relationship between the business and people. This particular alliance in management terms is referred as Corporate Social Responsibility (CSR) - wherein companies integrate social and environmental concerns with their objective. CSR has been a very contentious paradigm for developed and developing countries, as these business conglomerate help and support to governments by providing basic amenities such as food, water, education and shelter.*

**Keywords:** *State, Business, Corporate Social Responsibility, Social Contract, Profits, People.*

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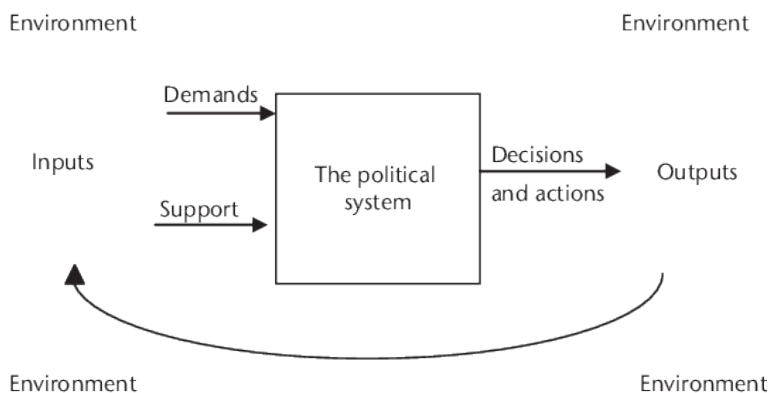
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## Introduction

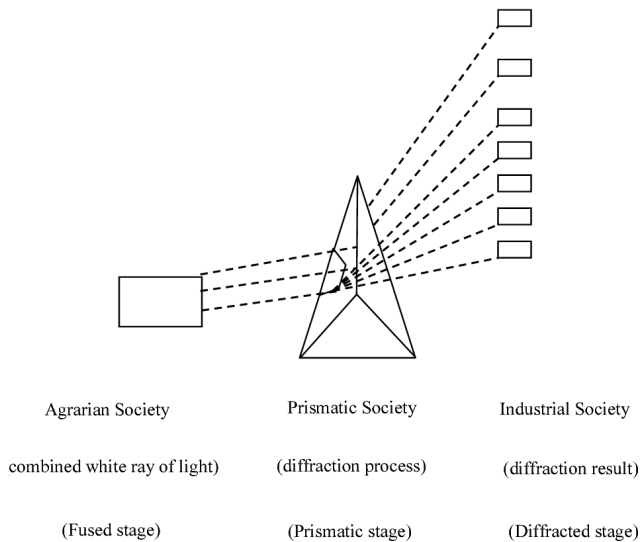
State has always been understood in terms of territorial integrity, government, population and security. These catchphrases often decode the relationship of the state with its neighbors. This particular expression has been extrapolated at length by David Easton and Fred Riggs with both constructing their arguments on the basis of situation driven demands and ecology. Easton analyzed the state in the form a Political System, 'a set of interaction as abstracted from the totality of the social behavior, through which values are authoritatively allocated for society'<sup>1</sup>.

In short, this scientific method of study deduced the state in terms of Input and Outputs otherwise known as Demands and Decisions that continuously changing the political system based on interests (refer to Diagram 1). The pursuits are certified by the media and voters in terms of feedback or response to a particular initiative or public policy. The rise of demands and magnitude of responses when critically analyzed by theorists and scientists consider the external factors of influence i.e. environment or changing behavior of neighboring states, role of business houses, High Net-worth Individuals (HNI) etc.



**Diagram 1:** David Easton Political System

Whereas on the other hand Fred Warren Riggs, Father of Comparative Public Administration opted for an ecological approach that explains the relationship 'between a public administration system and its total environment, physical, culture, historical economic and political'<sup>2</sup>. His study largely focused on the functioning of the administration with a development objective in Agraria, Fused and Diffracted societies around the world. As Easton stationed his idea on the physical infrastructure of the state Riggs focused on coalescing State with Bureaucratic machinery walking on the dynamic path of progress. Riggs visualized the multiplicity of the state administration to take responsibilities that expedite the process of development, bring forth change and provide welfare opportunities to the denizens (refer to the diagram 2).



**Diagram 2:** Fred Riggs Ecology of Public Administration

This particular article intends to formulate the Neo Liberal Welfare State concept that was built on the dual machinery of the state and administration. It marks a major shift from the natural and divine conceptions of ‘state as prior to a man’ and ‘State as a March of God on Earth’ professed by Aristotle and Hegel respectively. Although the foundation of a welfare state was established by John Stuart Mill through liberty, Thomas Hill Green through moral freedom and rights and Harold Laski arbitrated for completed abolition of right to private property. But on the other hand, Neo liberal scholars premised their arguments from Adam Smith idea of ‘Invisible hand’<sup>3</sup> and formulated their ideas around the ‘Laissez faire individualism.’ Jeremy Bentham, James Mill and Herbert Spencer focused on a minimal role of a state in economic activities of the individuals. The concoction between the Welfare and Neo Liberal concept of state gives rise to a Neo Liberal Welfare state where the responsibility of providing welfare to its citizens is shared between the Business conglomerates and Government.

**The Curious Concept of State**

Great scholars of erstwhile and present times continue to argue the curious case of State from the vantage point of Justice, Sovereignty, Laws, Separation of Religion from Politics and others. But after the Industrial Revolution, there has been a completely different perspective on the concept of state. Its more organised and structured wherein adequate importance was given individuals (denizens) their natural rights; as stated by John Locke in Two Treatises of Government and finally by Karl Marx in his writings. Engels and Marx observed the state as a domain of class conflict between the haves and

have-nots, otherwise known as Bourgeois and Proletariat. And advancing this thought process was Max Weber and Elite theorists who claimed 'State has a monopoly over a legitimate use of physical violence within a given territory'<sup>4</sup>. The elite theorists such as Mosco Pareto and C Wright Mills considered that this particular section of the society which has resources and wealth tends to influence important aspects of the state such as politics, economics and geography. The accumulation of wealth is magnanimous and are considered as 'Power Elite'<sup>5</sup> who have immense power to formulating and influencing public policies and government decisions. This elite section has been hereditary wealth or else capitalism has enabled to be wealthy owners of resources. No wonder why Oxfam in its latest report of 2018 argues that '1% of the world's population owns 82% of the resources on the planet'<sup>6</sup>. The state and the administration have created circumstances to ensure one particular class is able to amass or accumulate wealth. Theories in political science will continuously argue to eliminate or erase inequality with new ideas to bridge gap between the rich and poor. To some extent welfare economics may play a critical role in upbringing sections of society that are living under less than a dollar a day. But with geo-politics being a dynamic environment and domestic issues often influence sovereign governments to rethink on their plan of action to balance between public welfare and private interests at large. As a result, the Neo liberal ideas promoted by Thatcher and Reagan encouraged countries to spend less on welfare and 'emphasizes the value of free market capitalism while seeking to transfer control of economic factors from the government to the private sector'<sup>7</sup>. Moreover, it has paved way to creation of institutions like International Monetary Fund and World Bank which suggested Structural Adjustment Programs (Liberalization, Privatization and Globalization - LPG) to developing countries around the world. One such country that benefitted humongous from the advent of LPG is India. From 1991 the Indian economic growth scale has ascended lifting many families from perennial poverty, hunger and other economic deprivations. It also provided a red-carpet welcome to many private sector companies to open back end offices or Indian desk in India because favorable economic conditions and cheap labor. It led to a creation of Neo Liberal Welfare State wherein Indian government had to make a balance between Socialist ideas and Capitalist promises. Though with time, the bridge between rich and poor has widened and many parts of India (even after 75 years of Independence) continue to live a life bereft of basic necessities. To eliminate this discrepancy, business conglomerates pitched their ideas and action plan to help the community per se. India is the only country to legitimize business spending for the community development through Corporate Social Responsibility initiatives and programs.

### **New Ray of Light for Welfare and Hope - Corporate Social Responsibility**

In year 2013, the Government of India introduced anew legislation as 'Corporate Social Responsibility' under 13 5(B) of the Companies Act. The act clearly postulates the do and don'ts' for a company to make socio-economic investment for the community development. The bandwidth and opportunities for investment begins from core issues such

as water, health education to donation in Prime Minister's Relief Fund. Interestingly, Prime Minister's Relief Fund oversaw immense contribution during the pandemic period, wherein 'India Inc contributed heavily for faster establishment of covid hospitals, beds, medicines and vaccines'<sup>8</sup>. Before the inception and execution of Companies Act 2016, the Ministry of Corporate Affairs *National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011* (a revised document of Corporate Social Responsibility, 2009) wherein 'set of nine principles that offer Indian businesses an understanding and approach to inculcate responsible business conduct'<sup>9</sup>. These nine principles included providing goods and services that are safe and contribute to sustainability throughout their life cycle, promoting and respecting human rights, concerned efforts towards making a sustainable environment, promote the well being of employees and others. One of the important features of this guideline was voluntary in nature, it was rather prescribed the government to do so. But with time the 21st Report of the Parliamentary Standing Committee on Finance played a critical role in bringing CSR provisions within the ambit of legislations. The annual statutory disclosures on CSR required to be made by the companies under the Act would be a sufficient check on non-compliance. Section 135(4) of the Companies Act 2013<sup>10</sup> mandates every company qualifying under Section 135(1) to make a statutory disclosure of CSR in its Annual Report of the Board. Rule 9 of the Companies (Corporate Social Responsibility Policy), Rules, 2014<sup>11</sup> prescribes the format in which such disclosure is to be made.

The companies contribute about 2% of their profits for welfare activities and have made remarkable advancements in domains like education and healthcare for underprivileged sections of the society. For an example, Aditya Birla group focuses on Girl Child Education, the Bill & Melinda Gates Foundation in 2010, focused on increasing rural household income for 25,000 farmers in seven districts of Uttar Pradesh by facilitating changes in the horticultural value chain, Nippon Paint is providing financial assistance to over 1,000 painters by providing a digital currency for purchasing of essential goods, Tata Company is invested heavily in various types of CSR activities such as Aarogya (to fight malnutrition), Kaushalya to scale up skills vocational training, assistance for supplementing income, women empowerment and there are others. Well, the positive side of CSR can be credited and substantiated with more references from around the world where remarkable difference has been observed and analysed. But on other hand, Coca-Cola was accused of water pollution by discharging wastewater into fields and rivers surrounding Coca-Cola's plants in the same community. Groundwater and soil were polluted to the extent that Indian public health authorities saw the need to post signs around wells and hand pumps advising the community that the water was unfit for human consumption<sup>12</sup>. Similarly, in 2017 PepsiCo launched an advertisement; #AwaazMittiKi — the black-and-white shots of farmers and their crops, moving poetry about their perseverance and strength and an underlying message about our reliance on farmers and the need to invest in the country's own people and resources. But in 2019, the same company sued four farmers in Gujarat who it claimed were growing its variety of FC5 potatoes, which the company uses for its

Lays chips. These seeds and the technology for them are distributed as a part of their agrosustainability and crop-diversification projects which are a part of its CSR activities<sup>13</sup>. GaP Inc, another renewed garments company has been accused of use of child labor, inadequate safety and industrial hygiene measures, insufficient access to drinkable water, and verbal and physical abuse in 136 factories worldwide that produce merchandise for the company's Gap, Old Navy and Banana Republic brands. A report has been submitted stating violations on the code of conduct by GaP Inc and has the company has vouched to improve working conditions at Garment Factories. This definitely leads to a point wherein CSR has become a debatable and controversial issue between companies and communities.

In spite of so many hassles with regard to CSR fallout in certain parts of India. Another interesting story comes from south, Kerala wherein civic poll candidates were fielded under the ambitious 'Twenty20 Kizhakkambalam', in April 2013 by the Anna-Kitex group of companies, their CSR-based mission is to transform the village as the best Panchayat in the country by 2020. It has thrown an open challenge to already presiding political parties of that region such as Congress-led UDF and CPI(M)-led LDF. One of the most striking features of 'Twenty20 Kizhakkambalam' is the right to recall, a right that can only be exercised by the voters when they are not satisfied with the representative work. Elaborating more on this, was Sabu M Jacob, Chief coordinator of the 'Twenty20 Kizhakkambalam' believed that voters do not have to wait for five years to remove its member from office. *"Voters in their respective wards can recall its members selected from the 'Twenty20 Kizhakkambalam' platform. Two-third of the voters in their respective wards will have to sign a paper for the purpose. We have fielded only those who have agreed to this decision,"*<sup>14</sup>.

At the same time, the voters of this village believe that new houses for the poor have been built roughly at a cost of ₹10 lakh 'which is a better deal than anything on offer from either a state or central government scheme at the moment'. Women of the village assert that supermarkets have become a prime symbol of discounts and savings, they are a safe heaven as 'to purchase onions, coconut, oil, fish and chicken at an incredible 60% markdown from the retail price. Behind these deep discounts is one man, Sabu Jacob'<sup>15</sup>. Kitex had certainly gained a virtual monopoly over every aspect of public life in the village—from laying roads to directing the electorate to vote for a particular party in parliamentary elections. But then the real test was in 2020, where rumors were heard that well developed roads and complexes were built in and around Jacob's company. Lack of maintenance and unable to keep up with the social work led to an ouster of Jacob & Co from Twenty20 Kizhakkambalam.

### **Constructing a New State in the Neo Liberal Era**

There are numerous examples articulating in detail the CSR activities performed and executed by business conglomerates across the world. This also leads us to question how the state and the bureaucracy are responding to the new challenge and adapting to the change- the shift of responsibilities of providing basic essential items to the citizens of the country. Interestingly, these corporates are engaged in various types of activities and are

performing adequately better than most sovereign governments. Political parties script their political agendas and election campaigns on varied types of welfare schemes. Some may see the light of the day, others are reserved for the election campaigns in the future. Even the welfare schemes are designed in such a way that if impacts a certain section of a society residing in a particular geographical space. At the same time, the corporates perform CSR activities within the ambit of industrial operation areas. Most political parties' agenda to return back to power focus on quality education, affordable (mobile) health services, sanitization, opportunities for skill development, creating sustainable environment and much more. They seem to completely coincide with the corporate agenda which promises to utilize profit for the betterment of the planet and its people. Eventually, both come together and select strategic geographical locations to make the difference. For a political party in power who is able to fulfil the promises on manifesto has a higher chance of winning the elections. Similarly, the corporate which is making a difference which receive ample respect and regard for their operation and as result an aura of loyalty and privileges is developed. It results in creation of Neo Liberal welfare state wherein the responsibility of providing welfare is often outsourced to the other, business houses. The only reason being their gross value is often higher than the Gross Domestic Product (GDP) of most developing countries. Their profit scales are always in an ascending order ensuring that their investments are not only strategic but also profitable and sustainable in a longer run. Their delivery mechanism and strategy of providing welfare is much faster than most government programs. Be it in case of scholarships for education that get credited into beneficiaries account faster than many governmental schemes. Corporates are able to sponsor various types of community development initiatives without undergoing years and years of paperwork and financial audit. Certainly, in a Neo Liberal state - the governments intend to spend less money on welfare and direct revenue towards sectors that are profitable in nature. Those which are mostly profitable in nature comprises of both public, private and public-private partnerships business models. To add with this, the government of India has introduced the Companies Act 2013, section 135 (B) applicable to all types of enterprises which has a certain net worth, turnover or profitability during the immediately preceding financial years, to spend two percent of their average net profit for the past three years on CSR. The welfare state must wither away with time and has now reconstructed corporate as a welfare enabler and provider.

## **Conclusion**

In conclusion, one can only decipher that a mandated legislation paved the way for a creation of a Neo Liberal Welfare state. A State where in the government doesn't take the lead in providing welfare to its denizens, the change maker is the corporate. With time more and more government schemes will now be run by the corporates under the umbrella of CSR to provide benefits effectively, efficiently and economically. The corporate as a change maker doesn't happen only at surface level but it runs deep down to Gram Panchayats, where the business houses can field in their candidates of choice to build a

heritage of loyalty, trust and enthusiasm among the voters of that geographical locations. This particular change must be analyzed by upcoming political scientists to carve out new of notions of State and its relationship with the business sectors of the economy. With the responsibilities shifting from the government to the corporate, only time will tell when these political parties will become history and corporates will rule the space of politics, economy also influence diplomacy.

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