

REDISCOVERING THE STATE AND THE NEO-WEBERIAN STATE

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1. The crisis of supercapitalism

The global financial crisis has sharply raised the question of what role the state should play in eliminating market errors and managing the resulting social crises. Using USD 85 billion in cash, the Bush administration basically nationalised the insurance company AIG after several financial institutions previously considered as symbolic fortresses of the American economy had gone bankrupt or neared bankruptcy. After the government prepared a USD 700 billion rescue action to save the financial sector, the Bush government was charged by many with mocking capitalism. This kind of economic paradigm shift almost immediately surfaced on the Old Continent. In exchange for tens of billions of euros, the European Central Bank, as well as the governments of Great Britain, France, the Netherlands, Germany, Belgium and Luxembourg, obtained shares in some of the largest European financial institutions (e.g. Bradford & Bingley, Dexia, Fortis, Hypo) in order to strengthen them and create economic equilibrium.

These rescue operations provide evidence that the political concept, which put Smith's principles to the extreme and prospered in the Reagan and Thatcher eras of the 1970s and 1980s, can now be maintained only under certain limitations, if at all. The viability of the *laissez faire* type free market agenda, which is best modelled with zero-sum games and which often looked at natural social communities as strangers, has now been shaken to its very foundations by the international economic crisis. Sure enough, there have been plenty of concerns voiced and signals for change even before. The corporate scandals questioning the purity of market mechanisms (e.g. Enron, Siemens, Deutsche Telekom) and the Western European political approach that openly mixed the benefits of market economy with protectionism (e.g. Sarkozyism) had already raised the issue that the market's own way of thinking, its self-regulatory mechanism, does not have a one-to-one correspondence with the *government* type tasks of social organization and social reproduction. Market changes provide a flexible interpretation in that the art of government cannot be removed from the frame-

work of nation states and that not only social welfare but also economic balance necessitates the application of neo-corporative strategies between the public and private sectors.

2. Rivalling paradigms: good government vs. good governance

For a long time, we have committed ourselves to the presuppositions of the *good government paradigm*¹ based on the principles of the central state, liability and accountability instead of the paradigm of *good governance*.²

- The market, in and of itself, cannot provide welfare, solidarity and fairness equally to all.
- We need an *active, intelligent* and *strong* state that creates balance between the market and society.
- The state has to correct market mechanisms for the good of the community and that of the market.

Good governance paradigm	Good government paradigm
<ul style="list-style-type: none"> – both formal and informal elements are equally significant; in addition to institutions (<i>hardware</i>) behaviour, changing norms and new kinds of operating methods are at least as important; – social self-control and cooperation of actors replace the previously dominant position of the state; – the role of the state can, at most, be to create the conditions of good governance; but the state ceases to exist as an exclusive / defining actor; – the task is to create a connection between public affairs and the private sector; – such task may only be fulfilled by developing horizontal instead of vertical structures; 	<ul style="list-style-type: none"> – governance focuses on solving problems and the actor is the democratic government; – the tool used to solve such problems is democratic reform (currently: a new social contract, a reform of the old-age pension system, workfare, family policy and the policy of democratic integration); – a good government is sensitive and innovative and, using its intelligence, it has the ability to manage emerging new issues; – the state plays a role not only in creating the <i>conditions</i> for good governance but it also undertakes the <i>tasks</i> expected of good governance; – a good government is therefore expected to manage economic and social resources, maintain an impartial

² G. FODOR, Gábor – STUMPF, István (2007): A „jó kormányzás” két értelme. Avagy a demokratikus kormányzás programja és feltételei. Nemzeti Érték / 3., pp. 76-95.

Good governance paradigm	Good government paradigm
<ul style="list-style-type: none"> - therefore, the final decision maker must be removed from the equation, i.e. the role of the state needs to be reduced and thereby the functional position of the "decision" is taken over by the geometry of negotiation and the process of seeking a consensus. The result: the process of decision making may be made potentially infinite; - private organisations must be provided with enough room to exercise their social coordination functions (critics are more clear on this; they believe this model increases operating space for businesses and powerful economic players and thereby the concept of <i>governance</i> degrades the representative function of democracy); - instead of set procedures, governance is operated by debate, discussion and agreement; - there is a kind of social publicity, designed to act as the final control, that can weigh the rationality and normative justice of various arguments; therefore, the concept found its philosophical justification as well as its weaknesses in the concept of deliberative democracy and discourse ethics. 	<p>and transparent management of public affairs, and ensure welfare, solidarity, justice and cooperation;</p> <ul style="list-style-type: none"> - in other words the very essence of governance is to provide for the common good; - the ideal of common good becomes identical with the normative content of a good democracy; - the concept of "good government", however, cannot be imagined without an active, intelligent and strong state.

Table 1: The paradigms of good governance and good government based on G. Fodor and Stumpf (2007)

3. Rivalling paradigms: NPM vs. NWS – Preliminary assumptions for NPM

If we were to follow the principles of New Public Management when answering the questions, we would start from the logic of *good governance*, as NPM is built on the following preliminary assumptions:

- focuses on market mechanisms and techniques rather than the state: the state becomes a service provider while citizens are viewed as consumers requiring “consumption guarantees”;
- based on the preliminary assumptions of neoliberal *public choice* theories;
- consequently, it uses the tools of corporate management and requires an increase in the role of the market for the public sector with the following key words: reform and competition;
- promises a reduction of costs while maintaining service level quality under the umbrella of “result oriented governance” (*openness, consultation, choice, value for money, remedies*);
- logic: competing public and private sectors, cost comparison;
- relevant tools:
 - o restructuring of the public sector primarily using various forms of privatisation (appearance on the stock market, employee privatization, etc.), management contracts and outsourcing (*outsourcing, contracting out*), that intend to involve market and civic organisations in performing these tasks;
 - o restructuring of public services in the spirit of the entrepreneurial model of government;
 - o increasing the efficiency of public administration: on one hand, state administration is forced into a marginal role using the principle of “emptying the centre” (Dunleavy-Hood, 1994) and assuming cost-efficiency;
 - o controlling state: with two restrictions, i.e. deregulation takes priority over regulation and new forms of regulation are necessary because the state is supposed to ensure efficiency, supervision of service quality, financial auditing etc.
- norm: requirement of result orientation; yet no agreement exists as to what is considered effective and what techniques (*MBO, MBR, TQM*) to use to achieve such results. However, there is an agreement that “traditional values must be depreciated”³: the requirement of result orientation depreciates the principal values of traditional (Weberian) bureaucracy: neutrality, the ethos of public service, the principle of liability, the requirement of accountability and bureaucratic logic;

Table 2: Characteristics of the NPM paradigm (Minogue 2000; Gray-Jenkins 1995; Dunleavy-Hood 1994; Barzelay 2001; Drechsler 2005; Randma-Liiv 2008)

³ GRAY-JENKINS, 1995

What are the consequences of a market-based government?

Emptying the centre. Can you *outsource* public administration or was central government originally invented because it has a function and job that no other entity can take? Critics state that by practicing outsourcing, *NPM* forces state administration into a marginal role and excessively fragments the public sector without being able to coordinate or control the newly created networks.

Violating the requirements of accountability and political liability. The efficiency force of the market logic overrides the requirement of accountability, and thereby increases the risk of corruption; political liability is lost as a principal of government and, as a result, trust in the state and governments is shaken.

Violating the principle of equal treatment. The efficiency force of market logic overrides not only the requirement of accountability but also that of equal treatment. Therefore, it violates not only the principles of democratic representation and government but also the constitutive core of the liberal credo and the thesis of moral egalitarianism.

Weakening the legitimacy of central institutions. The new public management reduces the legitimacy of public institutions because, according to the opinions of the citizens of the state, using a thought-processing method based on economic rationale results in deficiencies in value orientation and the enforcement of moral bases. Namely, the public sector is limited to residual functions: the state provides less for the public good and this, of course, impacts the system of public administration and the quality of public services. “Social dissatisfaction with the quality of public services boomerangs in the market economy and this results in a direct dissatisfaction with the political leadership, as politicians are responsible for controlling market extremes and externalities”.⁴

Cutting back the power of the state. In the spirit of *good governance*, the new public management empties and cuts back the state. Then again we are faced with the issue of a missing actor.

We believe that the consequences are unacceptable. There is an alternative solution, though: the *neo-Weberian state*.

⁴ JENEI, 2007, In the typology he follows, Jenei separates the two approaches of “minimalisation” and “marketisation”, yet he himself agrees that these two approaches and methods are used together in the motivation practiced by certain country’s public institutions. We see a very strong and integral relationship between the logics of the “marketisation” and “minimalisation” approaches.

4. Rivalling paradigms: NPM vs. NWS – Preliminary assumptions for the Neo-Weberian State

Let us take a look at the fundamental aspects of the neo-Weberian approach.

The neo-Weberian state is an answer to the distortions of a new public management with a clear understanding that no return to the classic Weberian state is possible.

Accepting and merging the perceptions, evaluations of situations and good sides of NPM and merging those with the Weberian considerations: “Merit with flexibility”,⁵ where merit is a Weberian principle while flexibility would be a characteristic value of new public management. We are talking about merging things but in a way that the two systems would not be mixed together but instead integrate typical features of the new public management considered capable of working within the Weberian framework.

This kind of a state is considered *Weberian* because:

- the role of the state is strengthened (this is the only institution that has the monopoly on legitimate violence);
- the various levels of representative democracy (central, regional, local) while emphasising the importance of the unity of the executive power of the state;
- legitimacy and *system of norms* are strengthened; public law including public administration law continues to remain a key tool in the function of the rule of law and in the relationship between the citizen and the state;
- the ideal of public service is preserved by maintaining the *ethos of the public servant*, with special status, culture and conditions.

“*Neo*” components:

- a shift from bureaucratic logic to *citizen-friendly* and service-oriented operation and, as a result, the commitment to neutrality and legitimacy is complemented by a subscription to the objectives of public political programmes and result orientation, which then creates a professional culture with quality and service as its organic parts;
- complementing (not replacing) representative democracy with *civil consultations* and thereby direct representation of the citizens;
- more efficient management of government resources, a shift from *ex-ante* toward *ex-post* control;
- professionalisation of public services.

The neo-Weberian paradigm, therefore, serves as a base for bureaucratic competency and for the stability and control of the state.⁶

Table 3: The neo-Weberian paradigm (Cf. Pollit-Bouckaert 2004: 99-100, Jenei 2007, Drechsler 2005, Randma-Liiv 2008).

⁵ DRECHSLER, 2005,102.

⁶ RANDMA-LIIV, 2008, 12.

What is the "point" of this neo-Weberian approach?

Rethinking the role of the state in order to strengthen the state. As we have indicated, the concept of the neo-Weberian state is nothing else but a response to the distortion of the new public management. In comparison with the *NPM* approach, neo-Weberians claim that the state is neither dead nor disqualified, and we may need it more than before. Reinert, for instance, goes as far as to say that the state is the only qualified actor and that the main economic issues of our days, such as sustainability, dynamic markets, innovation and technology, demand strengthening the role of the state in order to ensure economic growth⁷ or otherwise regaining the integrity of the state.⁸

Rediscovering bureaucracy. Bureaucracy may be considered as a rational tool designed to execute the orders given by elected leaders, or as a holder of certain cultural values and a special form of governance with its own internal values.⁹ No good governance is possible without the normative system, legitimacy and rationality embodied in state administration and the ethos of public service as guarding constitutional principles and respecting professional and legal standards. Therefore, bureaucratic "fussing" is not an obstacle in the way of governance and government that needs to be demolished or "outsourced" but instead is a precondition for norm-based governance.

Restoration of a norm-based approach. Accountability and political liability are the *ultima ratio* of governance. The key aspect of the neo-Weberian concept is that it recognises that government action must be based on constitutional values and the rules of law, which means that enforcement of such norms must begin with the state and the political class embodying the state.

Rolling back corruption. The merit-based operation of the neo-Weberian public administration is in positive correlation with the reduction of corruption.¹⁰ A recognisable, properly rewarded and long-term career increases the level of competency and reduces the risk of public servants giving in to the temptation of corruption.¹¹

An increase in economic growth. Empirical studies show that there is a direct relationship between efficiently operating bureaucratic institutions and economic development. The now classic empirical work of Evan and Rauch, for instance, studied 35 developing countries and concluded that the Weberian characteristics of public administration significantly contribute to the possibility of economic growth.¹²

⁷ REINERT, 1999

⁸ DRECHSLER, 2005, 104.

⁹ OLSEN, 2004, 2.

¹⁰ DRECHSLER, 200, 97.

¹¹ HENDERSON – HULME – JALILIAN – PHILIPS, 2003, 9.

¹² Evans&Rauch 1999, 748. See also: Henderson–Hulme–Jalilian–Philips 2003.

Reducing poverty. In their empirical works studying 29 developing countries and those with medium level revenues, Henderson et al. argue that there is a strong relationship between the efficient operation of the Weberian public institutions and the ability of the state to reduce poverty.¹³

Widening democracy. By involving the civil sector in the development process of public policy decisions, the system of institution of representative democracy is complemented with the tools of direct and consultation-based democracy. As a result, it helps the civil sector find its role and also helps the political-social articulation of civil interests (we must note that an active civil society is not necessarily a precondition but is rather a consequence of the neo-Weberian logic, i.e. it does not take civil courage for granted but instead facilitates its growth).

Empathy seen toward particularism. Whereas the ideology of the new public management, by principle, wants to remain universal, the neo-Weberian approach is more understanding towards geographical, cultural and political differences.

5. The benefits of paradigms

NPM	NWS
focuses on market mechanisms and techniques rather than the state: the state becomes a service provider while citizens are viewed as consumers requiring “consumption guarantees”	a response to the distortions of public management in order to strengthen the state: “Merit with Flexibility”
does not work if certain preliminary conditions are missing (providing resources seen in advance, the ethos of public service or creation of credible professional politics)	a response given to the crisis of the welfare state by intelligent state participation with country-specific characteristics
is based on an erroneous assumption: it is not possible to solve everything based on the absolute logic of the market; in this sense no market approach to the state and to the public sector is possible	the state must initiate in order to ensure the efficient operation of the market and launch and preserve economic growth
reason: the operation of the state is based on market principles	key point: rethinking the role of the state in order to strengthen the state

¹³ HENDERSON–HULME–JALILIAN–PHILIPS, 2003.

NPM	NWS
consequence: emptying the centre; violating the requirements of accountability and political liability; violating the principle of equal treatment; weakening the legitimacy of central institutions; cutting back the power of the state.	consequence: rediscovery of bureaucracy; recovery of a norm-based approach; rolling back corruption; reducing poverty; widening democracy; empathy seen toward particularism.

Table 4: comparison of the two paradigms

As seen above, the choice between the two paradigms is based on the “reason” for the state (“what is the role of the state?”, “what is the state supposed to be like?”, “what roles does the state have?”), and the consequences of the answer given.

We are convinced that *a strong, active and intelligent state is needed*. The question is, however, *how we can accomplish that*. Therefore, political conditions for such a state must also be studied.

6. The crisis of the problem-solving skill of the political elite: the crisis of political innovation

6.1. What is the current situation?

Recent events in national politics seem to indicate that the Hungarian political elite has, in some sense, crossed the Rubicon. It is, of course, not entirely clear as to what is really happening, who is interested in all this and whether in our study we need to consider the motivations of autonomous players. What is clear, however, is that we can no longer continue on the course we have taken so far. The front lines and the organising logic behind (the logic of the bunker mentality) have not changed, the old political strategies have been exhausted, yet the “innovation” introduced to the political struggle (i.e. employing the secret service to support political objectives) only erodes trust in the political elite further (not to mention how trust in the national security service is being shattered) and thereby alienates citizens from politics and consequently weakens any hope for a political solution. However, if the political actors were not to draw the necessary lesson, then very easily the Austrian or the Italian examples may need to be applied to interpret the Hungarian situation.

Therefore, in the absence of governance and the weakness of the political elite's problem-solving skills, we cannot rule out that extremist political movements may gain ground (see the Austrian example). We believe it is not a long shot to imagine that the political elite perverts itself and causes its own downfall (see Italy in the 1990s). It appears that the generation switch does not yet work and no such third force exists (or, even if there is such a force, it is not yet organised and institutionalised, i.e. has no political party), that could pressure the current establishment and force it to bring about truly innovative and productive political solutions. We have no other means but to appeal to the sanity, aptitude and sense of responsibility of the political elite and hope that a successful socio-economic compromise may be born that could, as one of the possible solutions, resolve the current political crisis and strengthen the state.

6.2. European experiences of social compromise¹⁴

Why were/are such social compromises reached?

- The institutionalisation of seeking consensus is justified by some (specific) external or internal challenges;
- such challenges may be of a political nature (e.g. a peaceful transition from dictatorship to democracy in Spain; concentration of national resources, intensity of nation building, both internal and external challenges with influence from the great powers in Finland; division of the political elite, an overextension of the para-state sector, social dissatisfaction in Russia; management of the transition following the change in the political regime in Slovenia);
- in some other cases compromises may be triggered by economic factors (management of the economic crises, economic growth and provisions for stability, economic structural transformation, fulfilment of the Maastricht criteria, etc.).

What are the conditions for a successful social compromise?

- There are, of course, certain conditions that facilitate successful coordinating mechanisms (e.g. favourable socio-economic conditions, a moderately differentiated social structure, relatively narrow cracks in the political system, social demand for corporate practices and a consensus-based policy and a trade union movement with the strength to enforce its interests etc.);

¹⁴ Here, on one hand, we relied heavily on the thematic issue of *Nemzeti Érdek* (*Nemzeti Érdek* 2008./7.), and, on the other hand, emphasised the conclusions made in the publication by Gábor G. FODOR and Tamás KERN (G. Fodor Gábor – Kern Tamás: *Vázlat(pontok) egy sikeres társadalmi kiegyezéshez – Magyarországon. Nemzeti Érdek* 2008. / 7. 142-148.)

- nonetheless, we believe that the success of such compromises depends not so much on favourable conditions but on the political response to unfavourable conditions and new issues.
- This includes or may include the sanity of the political elite (see the Moncloa Pact), the willingness for compromise by the opposing political camps on significant issues (Slovenia) and conscious participation by the state (Finland): the strong, active and intelligent state takes the initiative, mediates, reconciles and, in the meantime, exercises self-restraint.
- One of the criteria of a successful social compromise is identifying problems. As seen before, the really successful pacts identified the issues and focused on only two or three socio-economic topics to reach an agreement. In those instances the state and the government took the lead in identifying the problems and initiating solutions.

Limiting conditions:

- Problems cannot be solved immediately even if a “compromise” is reached. The example of the Spanish, Irish and Finnish models often quoted for Hungary indicate that such a compromise and an agreement is not a one-time deal only but requires continuous coordination of interests and the agreed conditions.

6.3. What kind of agreement do we need?

What is clear

Some things appear fairly clear:

- such a compromise may not be a diktat and there are certain conditions for operability: moral integrity, credibility, calculability, readiness for dialogue and execution, guarantees on implementation, liability, etc.;
- the western model of social compromise cannot be adopted; instead of following the model word by word and using generic remedial solutions, local characteristics and conditions (a clear answer to the questions „what is the current situation”, political culture, social needs) must be identified, item by item;
- no other step may be taken without the settlement of the state;
- the depth of changes requires a new authorisation (from the voters);
- rewriting the compromise cannot be done along ideological lines but strictly pragmatically, in which the state is an active and initiating party.

And what is not clear...

In certain issues debate is possible and necessary:

- *What should the debate include?*
- *Who should participate in this compromise? Who makes it with who, for what and under what kind of warranty conditions?*
- *“Is the current situation suitable?” Do we have all the conditions and circumstances ready for signing a social compromise?*

What seems to be clear is that the state needs to be strengthened in order to establish conditions for good governance, because a weak state would not be able to deliver successful socio-economic agreements. We are convinced that the two serious focal points must be managed together (in order to strengthen the state and, for this reason / as a result achieve a comprehensive socio-economic agreement).

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