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## Public Value, Governance and Third Way

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**Abstract:** In the public debate there is a couple of concepts that seem to dominate the landscape. It means, they apparently do not permit the presence of other member on the ground: Welfare State and Minimal State. Each of them has a specific administrative model: the Welfare State corresponds to the Traditional Public Administration (TPA); the Minimal State corresponds to New Public Administration (NPM). In addition, on the one hand, the interventionist model had a strong theoretical background with the complex of social-democrat ideas. On the other hand, the libertarian model has had a powerful system of ideas. This paper challenges the perception that there is just one binomial of models. In contrast, there is a Third Way which in the administrative dimension corresponds to governance through community networks. And they both have, as I will show, a heavy support of ideas.

**Key words:** welfare state, minimal state, governance, public value, Third Way.

**Resumen:** En el debate público se presentan como términos contradictorios y mutuamente excluyentes los modelos de desarrollo cimentados en el Estado benefactor (*Welfare State*) y en el Estado neoliberal. A ellos corresponden, respectivamente, los modelos de administración pública conocidos como la Administración Pública Tradicional (APT) y la Nueva Gerencia Pública (NGP). De acuerdo con autores como John Benington, estos binomios están firmemente asentados en doctrinas sociales y económicas, como el fabianismo y el neoliberalismo. Lo que este artículo destaca es que esa dualidad no es insustituible: hay una Tercera Vía como modelo de desarrollo económico que tiene como su correspondiente modelo administrativo la Gobernanza mediante Redes Comunitarias. Lo que también se destaca aquí es que —al contrario de lo que opina Benington— la Tercera Vía sí tiene una firme base de sustentación teórica. Para mantener esta tesis se mencionan varios autores de renombre que han producido obras de gran relieve teórico, pero que también han brindado grandes aportaciones empíricas.

**Palabras clave:** Estado benefactor, Estado neoliberal, gobernanza, valor público, Tercera Vía.

## Introduction

It is an accepted convention that at the end of the Second World War the economic development strategy known as Welfare State was launched. Such line of action principally consisted of the increase in public spending so as to meet social needs such as education, health, housing, workers' rights protection, creation of infrastructure, full employment, and creation of incentives to private investment. One of the most remarkable aspects of such development was the Marshall Plan, thus named because it was an economic rescue sent by the United States Secretary of State, it was made known in a speech delivered by him at Harvard University in June 5<sup>th</sup>, 1947.

The Marshall Plan consisted of economic assistance for 16 European countries devastated by Second World War, with this the Welfare State was set into motion in the Old Continent.

What many analysts have overlooked is the type of public administration that corresponded to the use of the Welfare model. This is commonly known as Traditional Public Administration (TPA), according to the canons established by Weber (1977: 173-180) in what he calls the legal-rational authority. The main characteristics of this type of administration are: formalism, settling on the competences in each position of the bureaucratic hierarchy, distribution of functions, promotion by scaling the corporate ladder, strict distinction between what public ownership is and what private ownership is.

The theoretical basis of the *Welfare State* can be found in the writings of socio-democratic French and English authors of the XIX century.

However, in the late 1970's and early 1980's, the welfare model began to show its defects: the State's fiscal crisis, bureaucratism, paternalism, weakening of what is known as the social-democratic agreement between government, workers and entrepreneurs. It was replaced by the neo-liberal State, supported by conservative currents and parties, which literally devoted themselves to dismantle the Welfare State through drastic cuts to public spending, privatization of many public enterprises, commercial opening and blind faith in *laissez faire*, that is, free market.

To this model of economic development corresponded, as a model of public administration to what is known as the New Public Management (NPM), which in plain terms, introduced business criteria into the government.

The doctrinaire floor of this new line of action was neoliberalism, among its representants there is Frederick von Hayeck, Milton Friedman and Robert Nozick.

What it is shown in this research work is that it is false that there exists this duality only, that is, Welfare State or neo-liberal State, welfarism or free market, TPA or NPM.

### **Periodization of the economic development models and their corresponding administrative models**

In order to elaborate on the argument, the parallelism between development models and public administration models since the post-war period pointed out that the introduction should be considered. In this manner, TPA was joined with the Welfare State; NPM became united with the neoliberal economic model and with the rational choice theory. This opposite couple is neither indelible nor unsurpassable however. In fact, it has been replaced by what it is known as Network Community Governance (NCG), an administrative model that is linked to the economic development model known as “Third Way.” As previously pointed out, to each of these phases would correspond a particular doctrinaire basis.

There is no problem in admitting that the Welfare State was inspired by the political Fabian or socio-democratic economy, just as neoliberalism was built upon economic individualism. The main controversial argument lies on the theoretical foundations of the Third Way, even as other authors have said, it does not possess either a theory or an institutional and organizational strategy. Thus Benington (2011) points out in the chapter “From Private Choice to Public Value?” of the book *Public Value: Theory and Practice*:

Traditional public administration distinctive of the post-war welfare State was inspired by the Fabian political economy and the theory of public goods (which differ from private goods for being non-excluding and for having low levels of competence in consumption). The so called new public management which has dominated the academic and the practical action debate in the last two decades has been inspired by the neoliberal political economy, and the rational choice theory and the public choice theory (in which individuals are seen as primary units of analysis, and maximization of self-interest as the main criterion of both economic and social behavior.)

In contrast, the new scheme of governance based on community networks that it is now emerging suffers from a distinctive theoretical base to an economic and social level, apart from the general notion of “third way” which combines a competitive market with a limited State, and combines economic innovation with social justice. The philosophy of the “third way” provides a wide rational vision for change and stresses the need to link individual strategies with social ones. Nonetheless, it does not provide a theory or strategy clear enough to set reforms out at an institutional and organizational level (Benington, 2011:41.)

What Benington expresses in this paragraph is of the utmost importance, and consequently, worthy to be considered for at least two reasons: 1) it presents a historical periodization concerning the models of economic development and their link with administrative models; and 2) because within this periodization it makes reference to the theoretical bases of the three models that have appeared after Second World War. The matter in controversy, as the author makes it clear, is the apparently weak doctrinaire base of the Third Way.

It is convenient to focus on this point since the Third Way offers a theoretical and practical alternative of great importance before the statism-neoliberalism duality, and consequently, before the TPA-NPM duality, and to the other and corresponding pair, in the theory realm: economic fabianism-individualism. Benington (2011) presents an imprecise conception of what the theoretical support of the Third Way is. There are authors such as John Rawls, Jürgen Habermas and Amartya Sen who have provided important contributions to enrich the Third Way, that is, an alternative to both the welfare model and the neoliberal model.

### **Theoretical background of the Third Way**

John Rawls' (1971) political philosophy could be put as the fundamental support of the Third Way. The justification of this proposal lies in the fact that he talks, precisely, about the combination of individual and social strategies. He does it when he mentions two principles of justice:

*First*: each person is to have an equal right to the most extensive scheme of equal basic liberties compatible with a similar scheme of liberties for others. *Second*: social and economic inequalities are to be arranged so that they are both (a) reasonably expected to be to everyone's advantage, and (b) attached to positions and offices open to all (Rawls, 1971:60.)

With reference to Habermas, it should be said that he is the philosophical father of the concept "public sphere." This fact is underlined because Benington (2011) explains the connection between the concept "public sphere" and "public value," which is at the center of governance through community networks. And he expresses it like this:

I will argue that public value may be better understood and perceived in the framework of the notion "public sphere" —a democratic space that includes—of different extension, though —the State in which citizens present their collective demands and in which individual liberties are to be protected (Benington, 2011: 31.)

The essential question of the Third Way with regard to public policies is how to add value to the public sphere. For this, it is convenient to point out what the relation between public sphere and civil society is. For it might well be said that both terms are interrelated.

Such precision is important because, *grosso modo*, the fundamental actor of the Keynesian period was the State; the fundamental actor of the neoliberal period was the market; while the fundamental actor of the Third Way is civil society.

In this regard, it is essential to give a definition of what civil society is. The clarification is needed since this notion (civil society) has been attributed with numerous meanings. Cohen and Arato (1994: IX) understand civil society as: “A sphere of social interaction between economy and state, composed above all of the intimate sphere (especially the family), the sphere of associations (especially voluntary associations), social movements, and forms of public communication”.

Certainly, in the past, the role of civil society in the formation of public policies and governance was ignored or neglected, but now it has become more important than ever, mainly because it is the great actor of the Third Way. This is the reason why it is relevant to know what civil society is and what occurs in it. It is necessary to know, particularly, the way in which people interact with the government to define public policies.

The aim is to produce changes that move the government to discover new ways to cooperate with civil society, looking to do common tasks and “to negotiate and mobilize coalitions of interest in order to accomplish common aims” (Benington, 2011: 37.) This is the way how “network community governance” can be obtained, that is, by means of the interweaving of the social web with government webs throughout the social web, in search of common aims and offer a solution to the problems social communities face. This can provide a solid governance and legitimacy for it is profoundly rooted in civil society and citizenry.

Regarding Sen (1999), it should be mentioned that his economic and social theory is closely related to the Third Way; principally, regarding the connection between individual freedom and social equality. The first paragraph of his book *Development as freedom* reads: “There is a great complementarity between individual initiative and social arrangements. It is important to recognize at the same time the importance of individual freedom and the strength of social influences to the extent and scope of individual freedom [...] we should see individual freedom as a social commitment” (Sen, 1999: XII.)

Over the period of the Welfare State the government tried to solve social problems with the action of public institutions and the expansion of public spending. Rationality had to be looked for in the best way to manage public goods. However, such way to proceed produced the fiscal crisis, inefficiency, corruption, establishment of a patrimonial system (the confusion between public ownership and private ownership of leaders) and corporatism. Then, the times of neoliberalism came. The market was the benchmark. Everything was to be measured according to the criteria established by the *laissez faire*: all public spending must go through rigid budgetary screening, privatization instead of nationalization, in short, the dismantling of the Welfare State. Efficiency had to be looked for in the rational choice theory.

Certainly, in the period when the Welfare State predominated, the TPA was the model that defined the government; in the period when neoliberalism predominated the NPM set the pace for the government's actions; but now governance is based on community networks, which should be combined with rationality emerging from public value.

### **Public value and Network Community Governance (NCG)**

In order to have a clearer idea of the concepts of public value and NCG, it must be specified that:

Public value and related concepts such as public goods, public interest and public sphere have been widely debated in political philosophy since ancient Greece. However, what motivated the current discussion on public value in the public management realm was Mark Moore's seminal work *Creating Public Value: Strategic Management in Government* (Benington, 2011: 1).

The idea of public value appeared as an alternative to the NPM and the ideology of the market held by neoliberalism. Moore's book (1995) was written in the mid-1990's, when government and social justice were seen as hurdles for the progress of economy and society (Benington, 2011: 1). The conservative couple Thatcher-Reagan asserted: "Government is not the solution, government is the problem". This was the reason why they chose competence instead of cooperation, freedom instead of inequality, private rather than public. Owing to the crisis of the Welfare State and the excessive advertising against social justice and government, many people stopped trusting in the public sector.

"The public" as a concept lost its prestige in favor of "the private". For example, "many thoughts that improved public management could be achieved by importing techniques from the private sector into the



public sector. Thus, government agencies were encouraged to adopt a customer approach to deliver services to individuals defined as consumers” (Benington, 2011: 8-9.) Such is the case, precisely, of the NPM, this was the perspective that formed part of the strategy to replace TPA with the procedures proper to the private sector. Treat citizens as consumers.

In such hostile atmosphere of vindicating “the private”, public value suggested including, into the public debate, the idea that citizens can think about the role of government in society

and contribute to decide in which individual circumstances and social conditions they want to be treated as a group with public responsibility to deal with the government, and in which they want to be treated according to private criteria in order to be treated by individuals through market relationships (Benington, 2011: 9).

Following not only the failure of the Welfare State but also of neoliberalism, the public value theory noted that something had to be changed and improved in the government. What the public value theory tried to emphasize was:

the potentially important role of innovation as a way of increasing the efficiency, effectiveness and responsiveness of government organizations [...]. Just as the private sector executive had to keep an eye focused on changing market conditions, so the public sector executive had to keep their eye on changing political, economic and social conditions that might create new or different political demands (Benington 2011: 9).

An important aspect that public value highlighted was that between the government and market there is a space, the civil or public sphere whose “commitment to the idea that the proper arbitrator of public value is society as a whole acting as best as it can through the imperfect processes of representative government” (Benington, 2011: 10).

Public value, from the beginning, rejected the idea that government and society were enemies, rejected the mentality that says that that which one gains the other loses, and vice versa. Quite the opposite, the public value theory underscores the idea that both sectors can be allies. In his book, Moore (1995) showed several cases concerning the successful relationship between public sector and private sector. Such combination and cooperation can bring great benefits in a wide variety of fields: education, public health, child protection, security, job creation, climate change, etc.

Moore (1995) challenged the prevailing way of thinking about public management and the social role of public managers, as the following demonstrate:

- The role of government in society: seen by Moore not just as a rule-settler, service-provider and social safety net, but potentially as a

- creator of public value and proactive shaper of the public sphere (politically, economically, socially and culturally)
- The role of government managers: seen by Moore not just as inward-looking bureaucratic clerks, and passive servants to their political masters, but as stewards of public assets with ‘restless value-seeking imaginations’, who have important roles to play in helping governments to discover what could be done with the assets entrusted to their offices, as well as ensuring responsive services to users and citizens.
  - The techniques needed by public managers: seen by Moore not just as procedures to assure consistency and reliability of routines in government organizations (important as these can be), but also as the means to help governments to become more adaptable to changing material and social conditions, and to changing needs and political aspirations. Creating public value drew attention to the role of public managers in orchestrating the processes of public policy development, often in partnership with other actors and stakeholders, in ways which try to ensure that good choices are made in the public interest, and which legitimate, animate and guide the subsequent implementation, in order to improve outcomes for the public (Benington, 2011: 3-4).

Thus, Weber’s (1977) formal perspective on public management was surpassed. By contrast, Moore (1995) presents a dynamic vision. The role of government in society is creative, that of a trainer and participant of the public sphere. Public managers have to abandon the rigid schemes that prevent them from having contact with citizens, they have to strip off their antiquated formalism, according to which they have only to obey, not think for themselves nor to make transformations in their organizations. What the public value theory demands from them is “restless value-seeking imaginations”, and techniques that help government to become more adaptable to changing material and social conditions, and to changing needs and political aspirations (Benington, 2011: 3-4)

Regardless its innovation and solidity, the public value theory has an Achilles’ heel. Both Benington and Moore assert: it is arguable that creating public value spent less time defining public value in theoretical terms than in operationalizing it in practical terms (Benington, 2011: 4). Concerning its Achilles’ heel, it has, as it has been underlined here, strong theoretical support.



Such support is not contemplated in liberal terms; that is, in the contradictory power-freedom duality, in which what one term gains the other loses and vice versa. As well known, Berlin (1969) called such freedom: “negative”. Conversely, public value is presented in terms of democratic thinking. From this perspective, political power and individual freedom do not oppose each other, but rather complement one another regarding the fact that individual freedom achieves its aim when the subject participates in collective decision-making, i.e., when they take part in power. As Moore (1995) says, it is a win-win operation, government and civil society complement one another. For this reason, Berlin (1969: 121-122) called freedom: “democratic”, positive freedom.

Once differentiated these two concepts, it could be said there are authors, as Isaiah Berlin himself, who affirm that both tendencies are antagonistic. Yet there are other scholars such as Jürgen Habermas, for whom both tendencies are complementary. Jürgen Habermas penned: “This idea of co-originality can be formulated in the sense that private autonomy and public autonomy need each other” (Habermas, 2011: 82).

The fact that liberalism and democracy can be complementary was verified not only by modern Constitutions, in which the individual (liberal) rights were considered in the first articles, and political (democratic) rights in the chapters on electoral processes, but also in those emerging from the public sphere as a created space, at the same time, to restrict the State (liberalism) and to participate in that same public space (democracy).

In this sense, Habermas (1998: 27) affirms:

The bourgeois public sphere may be conceived above all as the sphere of private people come together as a public. They soon claimed the public sphere regulated from above, now people demanded it to be theirs to engage them in a debate over the general rules governing relations in the basically privatized but publicly relevant sphere of commodity exchange and social labor. The medium of this political confrontation was peculiar and without historical precedent: people’s public use of their reason (*öffentliches Rasonnement*).

This was the reason why the public sphere is not considered a way of participating *in* public power, but rather, strictly speaking, is a way of vigilance and critique from society “before the public authority.”

For his part, Warren (2001), when considering the idea of public sphere, elaborated some considerations on the creative potential of civil participation both within the State and outside the market:

The public sphere (or to be more precise, *spheres*) is the space where public judgement is exerted, which is held by the associative structure of civil society and it is different from

markets and states. The public sphere, as Habermas mentions, “can be better described as a network for communicative information and for the exposition of viewpoints...; communication currents are, over the process, filtered and synthesized in such a way that they converge in thematized public opinions.”

The public sphere is, in this sense, the spatial representation of the democratic notion that social groups should be able to guide states and restricted markets along with their well-considered (that is, politically autonomous) opinions.

If states and markets cannot ‘have’ or ‘shelter’ public, then who will? The answer is associations, pressure and management groups, cultural associations, professional associations, new social movements, certain kinds of media organizations, religious groups, philanthropic organizations, foundations, non-profit organizations such as universities and similar ones (Warren, 2001: 77-78).

It should be noted what Benington cited concerning the relationship between public value and public sphere: “I will argue that public value may be better understood and perceived in the framework of the ‘public sphere’ notion” (Benington, 2011: 31). The creation of public value has a place in the public sphere. In the dialogue between ordinary people and public managers according to many topics and problems that can be solved, through the converging participation of such actors in the public space.

The practical example given by Moore (1995), in his book *Creating Public Value*, it is important to contradict what Benington (2011) asserts concerning the institutional and organizational weakness that holds the strategy of public value. Such example refers to the Belmont Library, Massachusetts:

The town librarian was concerned. Each day, at about 3:00 p.m., eddies of schoolchildren washed into the library’s reading rooms. At about 5:00 the tide of children began to ebb. By 6:00 the library was quiet once again. An informal survey revealed what was happening: the library was being used as a day-care center for latchkey children who did not want to stay alone in their houses. How should the librarian respond? (Moore, 1995: 13).

The librarian’s first reaction was to apply the bureaucratic rules, that is to say, discourage the noise and disturbance caused by latchkey children. The library was neither a place for games nor meetings, it was not a place for them: rules had to be applied and so ask them to leave. But let us take the subject calmly; she realized that it was a message from society, she changed her mind and thought of asking additional resources to adapt the library for the new demands. Such resources may come from the town’s budget or from the parents’ contributions. With such money, new employees could be hired, janitors and assistants could be paid to tidy up the library at the end of

the day, and also pay for redesigning the place to create specialized reading rooms for junior and high-school students. What she did was to mobilize a volunteer effort of the community which allowed using the library in a different way (Moore, 1995: 15).

Thanks to her creative imagination, the library stopped being simply a place to store and consult books and it “was now a kind of indoor park used by many citizens for varied purposes” (Moore, 1995: 16).

The librarian started a positive proposal up in her community. She abandoned the old idea of bureaucracy according to which public managers have to follow rules and instructions to the letter, and set aside the capacity to take the initiative. In contrast, she began to think as the leader of her community. How to organize the library according to the needs of her fellow citizens’ demands.

She judged that some value had to be created for the benefit of at least some citizens allowing them and even encouraging them to use the library. She began to think of how to achieve such value through some type of funds, authorization and production (Moore, 1995: 18).

As Moore (1995) affirms, the librarian was capable to see that her resources are not immutably fixed or that her responsibility is inexorably circumscribed and inflexible or that it is written in stone or that her organization is only capable of doing what it is doing at that very moment. Instead, she used her imagination to innovate in the public sector. She repositioned and adapted her organization to adjust it to the new social demands (Moore, 1995: 18). In other words: she summoned and produced the democratic participation of civil society in partnership with public managers in a specific project, which was valuable for the community of Belmont. They created a public sphere of deliberation and collaboration; indeed, they set public value into motion.

Considering both topics; on the one hand, the public value theory, and on the other, the NCG, it is evident that there is

a change in the center of gravity from the State’s governance and the market toward civil society; from the regulation through silence and voice toward a regulation through loyalty; and from the coordination through hierarchies and markets toward the coordination through networks (Benington, 2011: 34-35).

The idea of neoliberalism and that of NPM was, above all, to relate the State to the market. In this connection the negative term was the State, whereas the positive, the market. Even more, the State had to give way to the market. This is the reason why privatization was one of the favorite strategies of neoliberalism. NPM, in return, was the way in which the business mentality entered the government process. The so called “structural reforms” were the expression of such mentality.

The crisis of the neoliberal model and the consequent crisis of NPM gave way to the emergence of the Third Way and NCG. For this reason civil society emerges as the great actor of this period along with the public sphere and deliberative democracy.

### **Civil society and democracy**

It must be taken into account that the concept “civil society” was debated once again in theoretical and historical terms owing to the social uprising against the communist regimes in West Europe in the late 1980’s (Fernández-Santillán, 2003: 334-335). Before this took place, the term civil society, as Gellner (1994) affirms, was virtually in disuse. However:

A new aspiration emerged in the last years: civil society. Before, someone interested in the notion civil society could be considered as a historian of ideas, interested, perhaps, in Locke and Hegel. But the phrase itself did not have a vivid or evocative echo. Rather, it seemed dusty. But now, all of the sudden, the dust was completely removed and it was recovered. It has become a radiant banner (Gellner, 1994: 1).

Civil society lead the liberation movements, just as it is: *Civil Society*, on account of the fact that such term was less worn away than “democracy.” It must be remembered that Lenin (1980: 125) said “that proletarian democracy” would be more democratic than “bourgeois democracy”. The concept “proletarian democracy” was used and abused by the communist leaders rhetorically during the whole period of the Soviet domination.

“Civil society” served as a banner to unite the anti-communist protests. It was not until the period of disturbances had ended and after having accomplished victory, that is, when the bureaucratic tyrannies were overthrown, that the entangled dimensions and the historical density of what the concept of “civil society” implied were measured. That accounts for the boom of literature on civil society in the following years after the anti-communist uprising.

Additionally, the rebirth of civil society was linked to the recovery of the liberal-democratic culture in the East European countries. After the unforgettable work of illegal advertising and non-violent mobilizations, civil society put pressure on the barriers that were erected to guarantee the continuity of the communist systems and tore them down. As Hall (1995: 1) asserts: “Civil society was seen as the opposite of despotism, a space in which social groups could develop, and above all, something that could assure more tolerable and bearable conditions of existence.”

With the fall of communism, the bond between civil society and democracy became the spotlight. In the case this article focus its attention: governance, it is observed that governments found themselves in the need of increasing their legitimacy through greater involvement with civil society. Benington (2011) recognizes this aspect in the following terms:

The traditional mechanisms which hold the government through the use of legislation and duties are, clearly, in the State's hands. Nonetheless, the initiatives of public policy (the definition of aims and priorities, the generation of ideas regarding public policies and alternatives to achieve them, the evaluation of such alternatives, the design of programs, the ways of organization and implementation) are being increasingly shared with informal networks of users, neighboring associations, community groups and ethnic organizations as well as with formal patterns of the public, private and volunteer sector (Benington, 2011: 36).

In some countries the public sector has built relations with the formal and informal sectors. It is not acting as it usually did over the TPA period or during the neoliberal period (NPM). Governments are now discovering new ways of relating to social actors (Network Community Governance).

One of the great challenges that governments are facing in a *polycentric society*, formed by networks and with various levels in itself, is how to "move" not only in partnership with other levels of government and associations of other sectors, but also through an active involvement with informal associations, community groups and particular citizens (Benington, 2011: 36).

## **Polycentric society**

In order to enrich this analysis it is convenient to take the concept of "polycentric society" into consideration. One of the scholars who developed this notion was Ostrom (2009), who elaborated on studies about human behavior based on a high level of theoretical abstraction and a consistent empirical sampling. One of her research conclusions was that the neoclassical paradigm of economic analysis (self-interest) is not sufficient to explain human behavior:

Although the disperse albeit hyper-rationalist individualist model keeps being used in the main economy current, a wide work deployed in the science of knowledge, social psychology and political economy has caused many academicians to recognize that more complex assumptions about human behavior would be appropriate to understand many situations of action. Few economists believe that people really behave in the short-sighted however well-informed and maximalist characteristic form of the *homo economicus* (Levi *et al.*, 1999: 332).

As seen thus far, neoliberalism –which in its theoretical core has a neoclassical paradigm– proclaims the market as the central concept of social mechanism. Consequently, it looks down on public institutions: the less they intervene in the economy, the better. However, after a period of supremacy, neoliberalism and its hostility against the State and public institutions have also retreated, therefore, public institutions are recovering their importance:

The restrictiveness of the neoclassical paradigm produces widespread recognition of the importance of institutions. Institutions help individuals with fundamental problems of exchange, collective choice, and collective action. If nothing were ever chosen by vote, there would be no problem of cyclical instability. If there were no social dilemmas, we would have less need to deal with problems of communication, cooperation, and coordination. If information were freely available, specialization and delegation would not produce agency costs. If there were no nonsimultaneous exchange, ex post opportunism would not be a concern. However, all these problems exist, and institutions ubiquitously deal with the trade-offs they create, providing opportunities for beneficial transactions that would not take place in the absence of the institutions (Levi *et al.*, 1999: XVIII).

There is a strong need for authority in order to avoid chaos and encourage politics, economics and the social activities.

What should be asked is: what does the individuals' choice to compete or cooperate depend on? The answer is given in Ostrom's lecture delivered on December 8<sup>th</sup>, 2009, when she received the Nobel Prize in Economics. The lecture is named *Beyond Markets and States: Polycentric Governance of Complex Economic Systems*.

The games theory of non-cooperative type may be held with a high level of prediction when participants in a laboratory experiment do not know the reputation of others involved in the dilemma of common resources and cannot communicate with one another. But, on the other hand, when people communicate directly, they frequently make an agreement to carry out strategies and keep their promises; substantially their profits increase. Even more, communication to deciding about these resources and define a sanctioning system enables those who have made these decisions to almost achieve optimization of profits (Ostrom, 2009: 425).

In the empirical experiments carried out by Ostrom there was a combination of competence and cooperation. Competence and distrust took place in the absence of knowledge among the participants; cooperation was deployed when the participants started to know each other through informal communication.

Group work produces a type of rationality different from the one in economic individualism, characteristic of the neoclassical model (the rational choice theory), that is, maximization and minimization of personal



profits. After observing the subjects' behavior in several experiments with the same interaction groups, some values stood out. In her Nobel Prize lecture Ostrom (2009: 431) asserted: "Individuals are displeased with inequitable outcomes resulting from the interaction among them. Consequently, they have an inner rule of 'aversion to inequality'". In other words, in people's mind there is a kind of first intuition about what is right and what is wrong.

The concept "polycentric society" describes the current configuration of our societies, in the sense that in them there is not one center of power but many, scattered in various sectors. Some of them when making decisions do not follow the profit and self-convenience criteria. They would rather follow the common-pool-resources logic, a dynamic that Elinor Ostrom has strongly emphasized. Additionally, the logic of such groups is attached to what Ostrom (2009) calls "social dilemmas", which, as action patterns, are closely related to the "NCG" due to their horizontal effects and their work in common.

A point of this connection between social dilemmas and the NCG to be highlighted is the work done with public institutions and civil servants, which aims to activate and develop public services:

The public policy makers and managers often tend to work throughout the frontiers among the State, the market and civil society in order to provide public services. Public value provides a conceptual framework to help define both things, that is, to think and do throughout such frontiers based on the network community governance pattern. (Benington, 2011: 37).

This accounts for the fact that polycentric societies and the common-pool-resources may be added to the theoretical background as well as to the strategic tools of the Third Way and of the theory and practice of public value.

If in any case Benington's concern consists of working so that public value as well as the Third Way may have a better theoretical support, what has been presented here may help to undertake a guided labor, precisely, to reinforce that theoretical part. In other words, Benington's (2011) words are not to be taken as a disqualification but rather as an incentive to strengthen that much needed option and step out of the false dilemma between Welfare State and neoliberal State, the TPA and the NPM, the opposition between the State and the market.

It should be shown that truly there are other options concerning economic politics, public policies and political theory. And that they can be amalgamated even with more strength.

## Conclusions

The aim of this research was to disprove John Benington's (2011: 41) assertion that the Third Way "does not provide a sufficiently clear theory or strategy to induce reforms at the institutional and organizational level". In order to reach such claim, Benington pointed out that the Welfare State had coincided with the government model known as TPA, in which it was thought that by achieving a high degree of efficiency and professionalism within the public institutions, as logically expected, that would result in a good service for society. Benington himself –as pointed out here– recalls that the welfare model had its motivation in the group of Fabians, that is, the founders of the Labor Party.

Then, as it is well known, came the neoliberal model which in the government level corresponded to the so called NPM. The aim of neoliberalism was to dismantle the Welfare State to whom it was attributed the responsibility of having caused the fiscal crisis of the State, bureaucracy, paternalism, corruption and inefficiency. The remedy was to apply privatization, fiscal discipline, mass layoff of government employees, commercial opening.

According to NPM, people had to be treated as clients just as enterprises treat their users. There is a supply and a demand to meet concerning public services. If there are enough resources, such services and benefits are provided, if not that was the market decision.

However, it is a fact that both models have been surpassed: the Third Way is presented as a solution to the weakening of interventionism and neoliberalism as well. The administrative model that is attached to the Third Way is governance through common-pool-resources.

Benington (2011) states that while interventionism and neoliberalism had a solid theoretical support, the Third Way lacks a solid doctrinaire basis.

What it is demonstrated here is that the assertion is false: the Third Way does have a philosophical, programmatic, organizing basis of utmost importance. For such corroboration several authors were consulted such as Jürgen Rawls, Jürgen Habermas, Amartya Sen (Nobel Prize in Economics 1998) and Elinor Ostrom (Nobel Prize in Economics 2009). They all have the necessary evidence to be considered the theoretical (Rawls and Habermas) and practical (Sen and Ostrom) support of the Third Way.

If the fundamental actor of the interventionist model was the State and of the neoliberal model, market, then in the case of the Third Way, the fundamental actor is civil society. Consequently, the Third Way rejects

the idea that the State and the market are antagonistic. It is the opposite, the Third Way states that through civil society, people can cooperate with the State, that is to say, contrary to what neoliberal people say, public power is not the society's enemy, nor does it maintain a zero-sum relationship, that is, that which one gains the other loses, and vice versa. No.

Rather, what is demonstrated here is that from the mutual collaboration between government and civil organizations common benefits can be achieved. And, consequently, with effects on the economy.

Carrying out this research was important in order to disprove the false dilemma between the State and the market. Expressed differently: in public life as well as in academic life about those who say that only such contradictory and selective duality exists; needless to say: going back to welfarism or to the continuation of the modernizing model (as euphemistically called by the neoliberal technocrats).

In the present article, it has been shown that such is a false dilemma and that, on the contrary, there exists a Third Way already being practiced in countries such as Canada, Norway, Sweden, Finland and Denmark. Such particular examples refute Benington's claim about the fact that the Third Way neither has an institutional nor organizational foundations.

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