



## Call for contributions

### *Renewal of public intervention and contemporary crisis Towards the emergence of a new form of regulation?*

Research Group of CIRIEC International

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In the context of the current economic and financial crisis, one key question animates the economic chronicle: what measures must the public authorities take in order to remedy the situation?

To answer this complex question we must first consider the rules and procedures of possible adjustment of intervention on the part of the public authorities confronted with the crisis. From a formal viewpoint, four possible scenarios could be distinguished.

#### The scenario of stabilisation through free play of market forces

This scenario is based on the supposition that the market is able to self-correct the effects of the crisis, without the direct intervention of the public authorities. The crisis is, in this case, a period of adjustment allowing reorganisation of the market and a return to growth. This perspective was that of the public authorities at the start of the crisis of 1929 and largely dominated the conceptions of the Washington consensus of 1989. In 2008 the disastrous effects of self-regulation to solve the crisis led the public authorities to do all they possibly could to stave off a repetition. The systemic risk induced by the financial crisis seemed to warrant the idea of a necessary massive intervention by the States (especially in the financial sector) to prevent a generalised collapse of the economic system.

This scenario seems *a priori* set aside for the moment, as the hopes kindled by the plans for relaunch validate the questioning of the self-regulation model. In the event of failure of this strategy, the risk would be not only a worsening of the crisis but also the return of policies of national recession.

#### The scenario of national ...or regional recession

This is a scenario of a sharp break with public policies of insertion in the international division of work conducted since the post-war years, a radical questioning of the opening of the markets at worldwide level. In case of very pronounced and persistent depression the probability of its occurrence is high. A deep and lasting crisis, with very serious social consequences, could trigger, as in the 1930s, a return to protectionist policies. This scenario could be that of a more or less slow disintegration of European economic construction, the Member States reconsidering their commitments to the EU, seeking to right the economic imbalances and social tensions arising from the crisis. It could also mark the reestablishment of forms of regulated mediation between certain Member States and the Union.

This scenario is, however, the bearer of the resurgence of a risk of exacerbation of the tensions between nations if not, as in the 1930s, world conflagration.

#### The scenario of temporary adjustment of public action

In this perspective, the public authorities intervene temporarily without undertaking lasting structural reforms to buffer the effects of the financial and economic crisis and steer a return to growth. New rules and procedures of public intervention are its instruments: active budget and fiscal policies, bank nationalisations, recapitalisation, regulation of stock options and bonuses, new prudential rules, regulations on financial transparency... A temporary application of these rules is not the cause of rupture but, on the contrary, a factor of continuity in public policy. The containment of harmful practices and public guarantees is aimed at restoring confidence in market mechanisms. However, as explained on the site by F Morin<sup>1</sup>, "we do not see in this type of scenario anything to prevent reproducing a new bubble of even more gigantic assets". Even in the case of a return to growth, this plan is thus the bringer of the perpetuation of very marked economic cycles or even the resurgence of systemic risk.

#### The scenario of the metamorphosis of world public regulation

This scenario opposes that of temporary adjustment since it proceeds from a logic of structural change, as J. Fournier suggests, from "a rather radical change of mind as regards the principle of public intervention in economic affairs"<sup>2</sup>. This marked break with the public policies of recent decades is also radically different from the scenario of national recession: it is a question of the installation of a new order, not only righting current economic and social imbalances, but also aiming at sustainable development. This scenario most certainly involves a close coordination of economic policies at supranational level in order to promote lasting growth, a more balanced distribution of wealth (North-South, capital-labour, ...), protection of world public assets and guaranteeing the provision of services of general economic interest. The occurrence of this scenario remains at present very conditional, since its introduction is demanding. It supposes that a bifurcation would occur in the process of globalisation and, more precisely, that public cooperative strategies could be imposed worldwide. Giving supranational public institutions new means of intervention to see through to successful conclusion globalised public policies is certainly a *sine qua non*.

Analysis of the current deployment of public policies in the struggle against the crisis thus gives reason to believe that the occurrence of the scenario of temporary adjustment of public intervention today is by far the most probable. The permanent nature of this scenario remains nonetheless hypothetical: it is not strong enough to withstand a deep-seated and protracted crisis. The ebbing of confidence among the economic agents and the accentuation of social tensions would in fact be its undoing.

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<sup>1</sup> La finance globale et sa crise, Que faire ? Scénarios de sortie de crise, [www.financeglobale.fr](http://www.financeglobale.fr)

<sup>2</sup> J. Fournier, "Le secteur public et la crise : intervention conjoncturelle ou changement structurel ?", 10 March 2009, <http://jacquesfournier.blog.lemonde.fr/category/action-publique/>

It is therefore necessary to analyse the current process of reorganisation of public intervention by means of conceptual tools that are sufficiently flexible to take account of the full range of possibilities. An analysis of current transformations of public policies around the introduction (or not) of a new "form of regulation" may - in this respect - seem to present a sufficient degree of flexibility and may even elicit some interesting responses.

Thus, the study of the characteristics and developments of the modes of economic regulation may be considered on four levels:

- Evolution of the framework structuring public policies at supranational level

In other words, do we or do we not undertake at supranational level reforms of structures, do we or do we not create institutions or instruments of public regulation to remedy the crisis and to promote sustainable development? Do we look to the integrated economic spaces such as the European Union or NAFTA to pursue constitutive policies (within the meaning of the terminology of T. Lowi)? Do we seek - and if so, then how - to lift the restrictions imposed on national or supranational regulatory, budget and fiscal policies?

- The possible pursuit and articulation of national regulatory, budget and fiscal policies

What actions are undertaken by the national authorities to remediate to the crisis: new regulations, nationalisations, sovereign wealth funds, fiscal, budget and distribution policies, extension or restrictions of industrial and competition policies? Do these national interventions present a sufficient articulation for a basis of the emergence of a new form of international public regulation?

- Evolution of the perimeter of the public sectors

Is the public sector undergoing a new phase of extension of its relative perimeter in the economy? Will the nationalisations in the banking sector continue? Will they last? Are these nationalisations the preface to a new phase of extension of the relative perimeter and weight of the national public sectors? Is there a potential for contagion of other sectors of activity and, if so, which? What new legitimations will be given to public property? Those of the past, or newly coined? What are the national variations? Do the transformations now in progress prepare for the emergence of supranational public sectors?

- The renewal of public management

Is the model of the new public management broadly challenged: do we continue to practice the outsourcing of activity, importing into the public sector management methods proper to the private sector, to evaluation based on performance? The logic of results, commercial representation and the general interest; are they being questioned? In this perspective, do we discharge general-interest missions much wider than the traditional public service obligations? What room for manoeuvre do public operators still have for the internalisation of general-interest missions? What place will the social economy then occupy in the nascent practices?

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To see this research programme through to successful conclusion, a programme that will culminate in a book to be published in 2010, we would appreciate one page proposals for contributions, in French or in English, not later than 19 June 2009.

After evaluating the incoming proposals in light of the four levels described in this text, we will contact the authors for pursuit of the work for the accepted papers, while also ensuring the coherence of the whole. CIRIEC will create an intranet to facilitate exchanges between researchers. Debates will be held in the form of "virtual meetings" on this site.

The drafts of the papers must reach us not later than 15 October; and a report will be made at the meeting of the CIRIEC international scientific Commission "Public Services / Public Enterprises" in November.

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