The New Public Management and Its Critics

ABSTRACT: It is possible to view the New Public Management as nothing more than the public management equivalent of a cake recipe, a set of practices that can be readily transferred from one culture and one political system to another. If such is the case, then discussions of principles and paradigms are academic; it is necessary only to identify best practices. It will then be up to politicians to realize that they have only to open the book, follow the instructions, and reap the rewards. However, even within the OECD countries such a possibility is not plausible. Within Europe, there are substantial differences in the political and cultural traditions of OECD countries. And diversity within the OECD goes beyond to include Mexico, Japan and Korea but also the former communist countries of Hungary, the Czech Republic and Poland. Since the applicability and effectiveness of New Public Management concepts will vary considerably from one country to another, we are left with a considerable challenge: How might we apply these concepts to new settings?

Donald Stokes captured the essence of the New Public Management in his “Presidential Address” to the Association of Public Policy and Management, although he did not use the term. He talked about the need for more effective governance leading to three new approaches: stressing outcomes rather than inputs, abandoning the traditional focus on central (or national) government, and rejecting the view that the formal boundaries of “private” vs. “public” institutions

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are important. In explaining the last point he said, "Implicit in this new outlook is the belief that the root distinction between "public" and "private" is not the difference between government and the private sector, but the difference between the pursuit of public interest and private gain" (Stokes, 1996). In Stokes' formulation, these new approaches had been demand-driven—that is, a reaction to public perception that government was in various respects too expensive—ineffective, unresponsive, or all three.

This characterisation was remarkably close to that in a recent publication by the Organization for Economic Cooperation and Development (OECD), which states that "two vital elements of public service reform strategies stand out: a closer focus on results . . . and replacement of highly centralised hierarchical structures with decentralised management environments" (OECD, 1996: 15). The OECD sees these changes as Stokes did: as a response to public pressures.

Neither Stokes nor any one else saw New Public Management as a set of concepts growing out of a formal body of theory. As variously defined, it has largely evolved from an inductive process of observing new public management practices and then drawing some general conclusions about underlying principles (Barzelay, 1992), or at least by assuming these practices need not be unique to the setting in which they were first adopted (Holmes & Shand, 1995). The Public Management Service (PUMA) of the OECD has proposed new general practices that may often be applicable across countries and cultures. In this respect, the New Public Management resembles the approaches of Peters and Waterman's book on Private Sector Management, In Search of Excellence, and Osborne and Gaebler's Reinventing Government. Those who have studied or participated in the New Zealand reforms have reason to object to this formulation by pointing out that reform policies there were indeed based on a set of principles explicitly set forth, a (valid) point to which we will return.

It is possible to view the New Public Management as nothing more that the public management equivalent of a cake recipe, that is, a set of practices that can be readily transferred from one culture and one political system to another. If such is the case, then discussions of principles and paradigms are academic; it is necessary only to identify best practices. It will then be up to politicians to realise that they have only to open the book, follow the instructions, and reap the rewards. However, even within the OECD countries such a possibility is not plausible. As a recent PUMA report points out, "There is no single best model of public management, and reforms must take into account national differences and local circumstances" (OECD, 1996: 17). Even within Europe, there are substantial differences in the political and cultural traditions of OECD countries. For example, the United Kingdom, the Nordic countries, France, and Greece have significantly different settings within which systems of governance operate. But diversity within the OECD goes beyond that to include not only Mexico, Japan, and Korea, but also the former communist countries of Hungary, the Czech
Republic, and Poland. Since the applicability and effectiveness of New Public Management concepts will vary considerably from one country (or other jurisdiction) to another, we are left with a considerable challenge: How might we apply these concepts to new settings?

One approach would be to simply maintain an inductive approach, and on a case-by-case basis evaluate how New Public Management techniques might work in each country. Another is to try to understand the New Public Management from the point of view of several fairly robust and widely used conceptual approaches to public and private sector management, thus perhaps gaining greater insight into New Public Management’s adaptability across countries and cultures. This is what will be attempted here.

At the conclusion, we will also view the New Public Management from the perspective of practical politics. This will be done by comparing it to the outcomes of an OECD Meeting of Ministers to discuss public management reform.

**What Is It?**

The Public Management Committee of the OECD has defined the New Public Management as the following:

A new paradigm for public management has emerged, aimed at fostering a performance-oriented culture in a less centralised public sector. It is characterised by:

- a closer focus on results in terms of efficiency, effectiveness, and quality of service
- the replacement of highly centralized, hierarchical structures by decentralized management environments where decisions on resource allocation and service delivery are made closer to the point of delivery, and which provide scope for feedback from clients and other interest groups
- the flexibility to explore alternatives to direct public provision and regulation that might yield more cost-effective policy outcomes
- a greater focus on efficiency in the services provided directly by the public sector, involving the establishment of productivity targets and the creation of competitive environments within and among public sector organizations
- the strengthening of strategic capacities at the center to guide the evolution of the state and allow it to respond to external changes and diverse interests automatically flexibly, and at least cost

This fundamental change in outlook has engaged all Member countries in a difficult process of cultural change; instead of thinking in terms of due process and rigid frameworks for service provision, institutions and individuals are
encouraged to focus more on improving the results of public interventions, including exploring alternatives to direct public provision (OECD, 1996: 8).

Holmes and Shand use the following definition for the New Public Management:

- a more strategic or results-oriented (efficiency, effectiveness, and service quality) approach to decision-making
- the replacement of highly centralized hierarchical organisational structures with decentralised management environments, where decisions on resource allocation and service delivery are taken closer to the point of delivery, where greater relevant information is available, and which provide scope for feedback from clients and other interest groups
- flexibility to explore alternatives to direct public provision which might provide more cost-effective policy outcomes
- focusing attention on the matching of authority and responsibility as a key to improving performance, including through such mechanisms as explicit performance-contracting
- the creation of competitive environments within and between public sector organisations
- the strengthening of strategic capacities at the centre to "steer" government to respond to external changes and diverse interests quickly, flexibly, and at-least-cost
- greater accountability and transparency through requirements to report on results and their full costs
- service-wide budgeting and management systems to support and encourage these changes (Holmes & Shand, 1995: 551)

Barzelay describes not only what it is, but what it replaces. This is a useful insight, acknowledged only implicitly by the two other sources. The principles of the New Public Management challenge older ones; therefore, stating the older ones provides some hints as to possible sources of opposition or objection. The objection may not be expressed or explicit. Reform advocates interpret silence for support, agreement, or consent at their own risk. Since the New Public Management is not merely a cake recipe, not only a better way to engineer a bridge, some resistance should be expected.

**Conceptual Frameworks**

There are several disciplines or subdisciplines that may be useful in understanding how New Public Management might be analytically viewed. I will consider three perspectives:
Microeconomics. Long a standard set of tools for policy analysis, it is now also used as the basis for viewing management techniques. Properly framed, microeconomic concepts are supposed to provide analytic insight rather than normative statements. However, slips occur and it is common enough for economic efficiency to stand for "good" or "rational" management practices rather than be offered to maximise (under certain circumstances) individual utility—a concept contained neither in the universal declaration of human rights nor any constitution.

Law and Regulation. Discussed under a variety of terms, this approach to public management is founded in the great traditions of administrative law in continental Europe, common law in the United Kingdom (and other systems that are based on it), and constitutional law in the United States. This traditional foundation of public administration answers the question of what public managers should do by saying they should follow laws and regulations derived from them. The degree to which regulations can be flexibly constructed, reflecting experience and judgement of officials, is itself seen as a question of law. From this point of view, the solution to dissatisfaction with public management lies in litigation via administrative law tribunals, courts of audit, or the general court system. The response to dissatisfaction with the outcome of that process is to enact new and better laws, and see that they are better enforced.

Organizational Theory. This can be viewed as a marriage, not necessarily a happy one, between psychology and sociology. Organizations, including public ones—especially public ones, some would argue—consist of rules, norms, incentives, and rewards. Individuals interact with and within organizations in complex ways. Organizational theorists are interested in how the culture of bureaucracy shapes and steers the behaviour of individuals and how individuals or groups of them can influence the way organizations function. From this point of view, to say that public administration should be based on law and regulation is at best insufficient and perhaps naïve. Laws and regulations, no matter how detailed, cannot describe every situation and compliance should not be assumed and can never be assured. The best that can be expected is documentation of compliance (i.e., the form of compliance) and that may be quite different from the substance of compliance.

A widely used application of the principles of organizational theory is Total Quality Management (TQM). This is viewed variously as a set of slogans, a fad, a cult, a managerial revolution, or a science. Unlike the New Public Management, it does have a written conceptual foundation and a set of internally consistent propositions. Although an application of organizational behaviour, it is more prescriptive and relies heavily on statistical concepts of quality measurement that are either irrelevant to or a minor part of organizational behavior theory.

It is certainly more than a set of slogans, since it has demonstrably changed dramatically the measured performance of major institutions. It perhaps falls short of being a true science. TQM is important to this discussion for two reasons. The
first is that TQM and the related general increase in quality of goods and services provided by the private sector has had a profound effect on consumers. TQM companies have not only significantly changed production systems, they have changed their relationships with their consumers. No longer do successful automobile companies market cars that were engineered independently of what consumers wanted. As citizens, consumers consider their experience with TQM companies applicable to the public sector and are applying new quality standards to public services. If a citizen can get a private insurance policy in two hours, why should it be necessary to wait two weeks for a passport? The second reason is that many public organizations that adopted TQM programs applied some TQM principles to their operations. Public managers who are interested in effective management techniques are not deeply concerned with whether they are listed under Total Quality Management or New Public Management, and in fact there is considerable overlap between the two (Osborne & Gaebler, 1993: 159).

Understanding Paradigms


W.R. Scott, writing on organizations, discusses the idea more generally¹ (Scott, 1992: 95–96) “A paradigm is not so much disproved as it is dislodged or supplanted by a different paradigm providing a new map of the territory—indeed, not only a new map but new directions for map making.” As Kuhn (Kuhn, 1962:108) observes:

In learning a paradigm the scientist acquires theory, methods, and standards together, usually in an inextricable mixture. Therefore, when paradigms change there are usually significant shifts in the criteria determining the legitimacy both of problems and of proposed solutions...Thus, in some respects the differences between competing paradigms can not be completely resolved by scientific evidence or argumentation.

Scott also cites Kuhn as follows:

Like the choice between competing political institutions, that between competing paradigms proves to be a choice between incompatible modes of community life. Because it has that character, the choice is not and cannot be determined merely by the evaluative procedures characteristic of normal science, for these depend in part upon a particular paradigm, and that paradigm is at issue. When paradigms enter, as they must, into a debate about paradigm choice, their role is necessarily circular. Each group uses its own paradigm to argue in that paradigm’s defence. (Kuhn, 1962: 108)²
Other than the fact that authors claim that the New Public Management is a change of paradigm, what evidence is there that such is the case? Certainly there is no huge public debate ranging across the OECD countries on public management. But neither is there an uninterrupted flow of reform. The case for a paradigm shift is at this point more than circumstantial. As the following sections illustrate, debate over reform does seem to reflect as many paradigm differences as objective evaluations of reform efforts. As Kuhn says, since each group uses its own paradigm to support its case, the arguments are essentially circular. The merits of distributive efficiency from the economics discipline verses the fundamental role of law and regulation in a democratic society are points of view that pass each other in the night, each without recognizing the existence of the other.

New Zealand

The strongest argument for a paradigm shift is in the case of New Zealand. Unlike other reform countries, New Zealand reform was explicitly based on "a theoretical framework for public service reforms, making extensive use of economic and management theory" according to a Canadian study (Office of the Auditor General of Canada, 1995). These were agency theory and theories of public choice, contracting, finance, accounting, and management. "That analytical base allowed coherent, consistent solutions to problems in the Public Management Service" (Office of the Auditor General of Canada, 1995). More generally, the New Zealand model applied principles of market economics to the management of public policy. One indication of this is in the inclusion in a book about the New Zealand reforms of a chapter entitled "Rationality, Efficiency and The Market." This chapter reviews basic concepts of market economics. According to the editor, Jonathan Boston, the author's conclusions "highlight the fact that maximising individuals choices will not always enhance human well-being. In an age so dominated by the ideology and rhetoric of market liberalism, such simple verities risk being all too quickly forgotten" (Boston, 1995).

The use of public choice theory was a way for New Zealand to look at the institutions of government, in which parliamentarians are seen as providing publicly financed goods and services to constituents in exchange for votes, and in which officials seek to maximise their personal bureaucratic power and influence rather than pursuing the general welfare as specified by acts of parliament. Principle agent theory was a potential tool to improve the functioning of government. It was a way to explicitly consider how the voters (as principles) could get the parliamentarians (as agents) to do what the voters wanted, or how the parliamentarians (as principles) could get the senior officials (as agents) to carry out government policies properly.

In contrast, the application of market theory to public management is— or can
be—more normative. For it to do so requires that individual utility maximization becomes not an explanation of how markets work, but a value on which society is organized. It also assumes that people act consistently and rationally to the extent they have the information to do so.

**Market Economics and the New Public Management**

There is much discussion in connection with the New Public Management about markets and market-type mechanisms, competition and contestability, efficiency, doing more for less, privatization, corporatization and so on—a full range of words that suggest functions of government will either be moved into the market economy or will be endowed with some desirable features of the market economy. Opponents of New Public Management criticise such approaches as a violation of the legal and ethical foundations of the modern state and gross disregard for the general welfare in favor of pure economic power. It is therefore important to specify more precisely in what respect this body of economic theory might apply to public management.

When auditors and public administrators talk about efficiency they normally mean efficiency in the engineering sense: getting the same job done with less energy, or a bigger job done with the same energy. A staff of three with a small computer that issues 10,000 checks a month will be viewed as more efficient than one with a staff of ten and lots of paper ledger books.

Economists often do not mean this when they talk about *economic* or *allocative* efficiency, or more precisely they do not mean only engineering efficiency. It is true that most economists would say that a car manufacturer that can produce one vehicle with three work days of labor and $5,000 worth of materials and capital will be more efficient than one that produces the identical unit with six work days and $8,000 of materials. But normally economists would say that the first firm has higher productivity or refer to this as *productive* efficiency. But the economist need not observe this productivity directly, nor do the cars have to be identical or easily comparable. If the market is working, the consumers will make a (rational) choice and select the combination of features and prices they prefer and economic efficiency is achieved. This allocative efficiency definition is based on *Pareto optimality*, under which, if an additional choice is offered that someone prefers and no one is forced to accept a choice they prefer less, the new condition is optimal, and economic efficiency has increased. Efficiency is defined in terms of individuals acting rationally to maximize their own welfare (or utility). Thus, productive efficiency need not be known, and allocative efficiency can apply to a wide range of situations where productive efficiency would either be very hard to measure (i.e., vacation destinations) or meaningless (i.e., fine art or antiques). Many economists use modern financial markets as prime examples of allocative efficiency because there is a vast array of securities, many of which are very
similar, have lots of relevant information on them, and have low transaction costs. Many market-oriented economists advocate vouchers for schools and low-income housing over the conventional means of service provision by publicly administered institutions. It is often assumed that this is because the private sector can produce satisfactory housing or quality education at the same or lower cost, which is often true. But this raises the question as to what is "satisfactory", and who defined "quality"? With vouchers, each utility-maximizing individual makes these determinations. By letting individuals use their vouchers in the market place and exercise choice, allocative efficiency is enhanced. Of course, from this point of view, cash rather than vouchers would be even better so that individuals could decide whether they want less education and housing than the government is willing to pay for, and more of something else the government is not (now) willing to pay for.

There are conceptual and philosophical difficulties when applying allocative efficiency as a litmus test for the desirability of institutional arrangements (Lindblom, 1977: 78-79). The most important difficulty is that individual behavior is not explained solely by utility-maximizing, so people do not always make choices according to the rules of Pareto optimality. To cite a trivial but widespread example, this occurs whenever someone prefers receiving a specific gift to receiving money. Many people also invest their money in mutual funds because they want to avoid making choices, although there are other reason to invest in them. Another problem is the rationality assumption. Professor R. Thaler, University of Chicago, has written extensively about the limits of rationality, and has noted that most U.S. academics make irrational decisions in both the financing of their cars and the investment in their retirement schemes—two of the biggest financial decisions they make. In 1945, Nobel Prize-winning economist, Herbert Simon first published his idea “bounded rationality”, a concept that has been extensively developed most recently by George Akerlof. (A recent critique on the limits of rationality assumptions for economic policy is contained in Paul Krugman’s Peddling Prosperity).

An example of applying the logic of economic efficiency to public management can be found in a recent OECD report on the education sector of the New Zealand economy. The report praised the management reforms in general (including those for education) but noted that “much still needs to be done to decentralise decision-making and make the [education] system more responsive to parental and student demand”. Elsewhere, the report acknowledges the argument that this policy could decrease the quality of education, but does so in a footnote. The report does not explain the implications of this recommendation for the New Zealand policy of improving opportunities for the indigenous minority Maori and Pacific Islands population (which could of course, be either positive or negative). Improving the prospects for these groups is a major national policy goal, so it is curious that the point is ignored. It is not explicitly explained how increased
parental choice would affect the math and science skills of students. The New Zealand national work force will need to improve these skills to protect and improve its position in the global economy. Thus, the report implies that the quality of education will be improved, but in fact the best that can be demonstrated is that local choice will be increased—for better or for worse. Certainly, the millions of immigrants whose children were educated in the New York City school system during the first half of the 20th century would have been puzzled by the assumption that a parent-driven curriculum is to be preferred.

The point here is not to argue the complex issue of school choice, the correct answer almost certainly being dependant on a given situation in any case, but rather to indicate that the current foundations of contemporary microeconomic theory lead clearly in the direction that choice is always good, the more the better. There is no room here for the language policies of Quebec, the cultural policies of France, policies in the national interest, or programs based on values imbedded in culture, trust or patriotism.

New Public Management advocates often talk enthusiastically about privatization leading to higher quality and lower cost outputs. Enterprises that are moved to a truly competitive environment are expected to cut costs and innovate to survive. In this case, the competitive climate produces productive efficiency of the kind that auditors recognise. But it is entrepreneurs that increase productivity, not the market. The market is a system that rewards good entrepreneurs and punishes poor ones. Markets increase allocative efficiency for a different reason: people who do not want the product or service do not buy or subsidise it. They get to spend their money on what they prefer.

Thus, it follows that taxes are generally considered to reduce allocative efficiency, usually for two reasons. The first is that taxes finance choices made by a governmental process, not by actors in the market. Everyone who is taxed is worse off in terms of income, so the conditions of Pareto optimality would be met only if everyone taxed were better off by more than the amount taxed as a result of whatever goods or services the government provides with the tax money. Such conditions are approached perhaps by a public military force repelling a hostile invader, or by a municipal water supply (the former is the standard example of a public good because it cannot be divided up and sold on the market). But even so, you do not know that such policies are efficient since there are no market signals. The second reason taxes reduce allocative efficiency is that unless you can devise a perfectly even-handed tax system it will distort choices in the economy by changing relative prices.

It is not surprising, therefore, that modern microeconomic theory supports the New Public Management emphasis on user charging and commercialization of public services. The user charge question has been little discussed as a theoretical matter in the economics literature. However, the traditional public finance and public administration literature collides with New Public Management and
market-based economics (see, for example, the classic text by Musgrave & Musgrave, *Public Finance*). The traditional view is that the characteristics of public activities are controlled by general laws and in the volume of goods or services provided by appropriations laws. Once these decisions are made, how the tax revenues are raised is decided quite separately under the principles of equity, simplicity, and (economic) efficiency. How much is raised is determined by macroeconomic policy even if funds are collected through special fees or earnings. Traditional theory holds that the proceeds of fees and earnings should be kept out of the hands of bureaucrats unless specifically appropriated by the legislature. This system has broken down, but due more to governments being short of cash than to an explicit change of principle. This used to be a side issue of public financial management because the amounts of money involved were fairly small, but now they are actually, or potentially, large.

The free market economist would argue that the traditional public finance approach ignores market signals. For example, the regulation of the nuclear power industry, the drug industry, and the securities industry should be viewed as a cost of doing business, since those industries would not be allowed to exist unless they were regulated. Thus, it is economically efficient for the cost of regulation (in the form of fees) to be passed along to producers and eventually to consumers so that their decisions as consumers reflect true costs. The traditional theories of both public finance and public administration raise serious questions about this practice. First, the size of the regulatory bureaucracy should not be determined by how much you can raise in fees (fees could be either excessive or inadequate). Regulation is inherently a monopolistic operation, and issuing permits could become very lucrative in some instances. The public administration advocate would further point out that these regulatory activities benefit the general public, not just customers. Furthermore, making fees available to the regulators would create the risk, or the appearance of a risk, that the regulators would become captive of the industry. The Securities and Exchange Commission of the United States always requested that its funds be appropriated directly by the Congress and not be related to fees for this reason, even though this practice probably resulted in lower budgets.

Another aspect of contemporary economics that supports New Public Management is its definition of value. The value is generally taken to be the price of which an item is exchanged; there is no inherent value in the world of a market economist. According to this point of view, real estate dealers who wait for the price of a house to increase to "what it is worth" are engaging in wishful thinking, not economics. Similarly, the price of public sector labor should be determined by a manager who buys the skills he needs for the best price he can get. Uniform public sector personnel classification and compensation schemes are viewed as inefficient and costly.

However, this view that the market correctly determines optimum prices can be
criticised as simplistic, misleading and socially questionable. In 1989, the U.S. stock market lost 20% of its value over three days of trading. The market cleared each day. Obviously, the intrinsic net worth of the collective firms did not change by that amount, so the share prices could not possibly have reflected the "value" of the firms during this period. Moreover, corporate takeovers are predicated on the assumption that markets are wrong, and that price is not the same as value. Even the most casual observations of the markets for antiques and artwork indicate wide fluctuations that cannot be explained by changes in objective conditions.

It is clear that advocates of New Public Management use market economics extensively to support their views. Flexible pay and hiring practices, simplified procurement procedures, pollution credits, and tradable property rights such as licences and permits are all advocated in terms of microeconomic principles and the efficiency of markets. However, making the argument and winning the debate are quite different things. There are many who believe that user charges for public services violate the basic concept that, being public, they should be paid for by general tax revenues; that the purposes of a licence are to allocate and control; that public sector pay flexibility violates the most basic concepts of fairness and equity; and that complex procurement systems are necessary not only to insure fairness and prevent governments from being cheated, but to also ensure that procurement awards meet or support important social goals, such as providing opportunity to disadvantaged groups in society.

The difficulty is not that the New Public Management has its critics as well as advocates, it is that each group tends to talk past each other. In this respect, Kuhn’s definition of a new paradigm seems to fit.

ORGANIZATIONAL BEHAVIOR AND TOTAL QUALITY MANAGEMENT

If market economics can be said to illuminate and support many of the innovations in New Public Management, many aspects of organization behavior theory can illuminate how government organizations can or could work better. This body of theory can, for example, help us to understand what is meant by the idea of treating the citizen as customer, and how one organizes and manages institutions that are responsive rather than directive. How much organizational behavior will influence New Public Management is open to speculation. Certainly, the potential is great. In the case of New Zealand, for example, organizational theory may provide a useful balance to agency theory. Reform advocates have used agency theory to support New Zealand’s adoption of contracts between chief executives and Ministers. Organizational behavior theory is likely to suggest that the implications of using this device are perhaps more complex that they appear to be on the surface. Similarly, the U.K.’s "Next Steps"
administrative structure may be illuminated by organizational theory. Moreover, if one accepts Barzelay's (1992) much-more comprehensive behavior-oriented idea of the post-bureaucratic paradigm, organizational behavior is almost certain to be central to understanding it. He states that:

Informed public managers today understand and appreciate such varied role concepts as exercising leadership, creating an uplifting mission and organisational culture, strategic planning, managing without direct authority, pathfinding, problem setting, identifying customers, groping along, reflecting-in-action, coaching, structuring incentives, championing products, instilling a commitment to quality, creating a climate for innovation, building teams, redesigning work, investing in people, negotiating mandates, and managing by walking around. (Barzelay, 1992: 132)

It is perhaps too cynical to suggest that for this statement to be true the number of informed public managers must be somewhat limited. More to the point, the footnote to that one sentence cites 23 scholars and authors, from Nobel Prize-winning economist Herbert Simon, to Harvard psychology professor J. Richard Hackman. Relatively few of those cited are part of the public administration community or even known for their work on the public sector.

The New Public Management is relatively clear about:

• new approaches to accountability at the top of public organizations
• more flexibility and initiative and responsibility for civil servants
• new structures and institutions that are incentive rather than rule driven, many of which may be profit-making or non-governmental
• a customer or client focus
• concentrating on outputs or outcomes, quantitatively measured where possible

So far, there is very little said or written about the nature of the new institutions that are based on these concepts. How will they work, what their culture will be, how they will interact? There is a great potential for contributions from the field of organizational behavior, probably more from thoughtful research than from advice. The traditional public administration assumed civil servants would behave in predictable ways because they would follow laws and regulations. Now they are supposed to toss away (or at least drastically shorten) the rule book in favor of “applying norms, identifying and solving problems and improving processes” (Barzelay, 1992: 118). Organizational behavior research can perhaps inform us as to how to do that. Moreover, with new emphasis on incentives and rewards organizational behavior can offer a much richer set of generalizations than those available from economists.

Total Quality Management has much to say about “applying norms, identifying and solving problems and improving processes,” albeit from the perspective of private sector firms. However, the public sector interest in TQM raises the
question of its applicability to public institutions and to the New Public Management. According to Hackman and Wageman, the founders of TQM, Juran Demming and Ishikawa, prescribe five interventions to carry out the principles of TQM:

1. explicit identification and measurement of customer requirements
2. creation of supplier partnerships
3. use of cross-functional teams to identify and solve quality problems
4. use of scientific methods to monitor performance and to identify points of high leverage for performance improvement
5. use of process management heuristics to enhance team effectiveness (Hackman & Wageman, 1995)

Identification and measurement of customer requirements is widely accepted as an important feature of New Public Management, and can easily be identified with current efforts at developing better performance measures. Of course, the public manager may be constrained in responding to these requirements because the manager lacks the authority or the budget to do so, or because doing so would create equity or ethical problems.

Supplier partnerships are more of a problem. The emphasis on procurement tendering procedures, and the frequent existence of administrative law procedures to contest bid awards substantially restricts the ability of public managers to exercise the discretion necessary to build TQM-like relationships with suppliers. The inclusion of social criteria, such as equal employment opportunity and set-asides for small business are also a problem, but many social criteria, such as working conditions and environmental standards apply to private sector companies irrespective of whether they are bidding on a public contract.

There is no reason why the New Public Management could not incorporate the use of cross-functional teams. Indeed, such a concept is a natural complement to moving away from command and control systems and devolving responsibility at lower levels within public service organizations. The interest in one-stop service centers in public-sector service delivery is also naturally compatible with this TQM concept. Similarly, the use of scientific methods to measure performance is supportive of the new emphasis on developing performance standards. The use of Pareto analysis to separate the many trivial factors that contribute to a problem from the vital view factors can have wide applicability.

A measurement technique from TQM of particular importance to the New Public Management is cost of quality analysis. This technique involves quantifying the cost of improving quality and comparing it with the cost savings (such as avoiding rework or lowering inventories) from improving quality standards. Many public managers, brought up implicitly or explicitly to think in operations
research terms, see quality as a trade-off to cost. In a well-functioning market, this
is what is to be expected. But the TQM environment is concerned with the quality
of inputs, so a high-quality component of a product lowers the cost of paying
warranty claims, and quality assembly reduces the cost rework necessary before
a product can be sold. TQM provides a systematic and quantified rationale for the
New Public Management idea of a government that both works better and costs
less. In the public sector, a quality bid procedure or contract will save the costs of
litigation, a quality regulation will reduce the costs of administration, a quality
process for welfare payments will reduce appeals, and a quality brief will reduce
the costs of rewriting it.

Three of the most commonly used heuristic devices used in TQM are
flowcharts, brainstorming, and cause-and-effect diagrams. Flowcharts aid in
identifying activities that delay unnecessarily, or add nothing to value—surely,
problems that are as likely to occur in the public sector as the private sector. Both
brainstorming and cause-and-effect diagrams are tools that naturally complement
to the New Public Management ideas of decentralized management and devolution
of responsibility closer to the point of service delivery.

Hackman and Wageman identify two "enrichments" to TQM that have been
strongly associated with it in the U.S.: benchmarking and employee involvement.
Benchmarking is now a commonplace element in that aspect of the New Public
Management concerned with an increased focus on results. In a TQM context,
benchmarking of outputs can help determine what clients or customers can
reasonably expect from public institutions, and can also increase the acceptability
of performance standards within organizations. As with TQM heuristic devices,
employee involvement fits naturally with the ideas of the New Public Manage-
ment. Hackman and Wageman (1995) note that emphasis on employee involve-
ment "are consistent with Deming's view that social approval and public
recognition are important sources of social motivation" (p. 317). These are
frequently recognized as motivating factors particularly relevant to public sector
employees.

So far as the private sector is concerned, Hackman and Wageman effectively
and rigorously counter the opinion that TQM is a fad or set of slogans. Its
complementarity with the ideas of the New Public Management suggests that their
conclusions are likely to be valid for the public sector as well. Some critics of the
New Public Management see it also as a fad or a set of slogans. The kind of
careful analysis summarized briefly here has yet to be done with respect to the
New Public Management, and indeed would not be as complete since there is
nothing like the same amount of literature on public management. Moreover,
traditionalists object that indiscriminate application of TQM to public sector
institutions violates the principles of law, equity, public interest, and due process
on which public administration is based. Again, the issue of a paradigm shift
seems relevant.
LAW AND REGULATION

There seems at first to be no reason that the law and rule-based traditions of public administration cannot live in quiet harmony with New Public Management. Certainly, the advocates of managerialism would not argue that administrative action should be outside the law. They might even be comfortable with Woodrow Wilson’s 1887 definition of public administration as “detailed and systematic execution of public law” (Drewry, 1995: 41). However, there are several respects in which traditional views of public administration either clash with or produce resistance to the New Public Management.

Ministerial or Presidential Responsibility

In Westminster countries, there are debates about whether it is possible to distinguish ministerial accountability and ministerial responsibility. In the U.S., the traditional doctrine holds the President responsible to the Congress for his administration. In both countries, critics of the traditional views argue that these principles are not practical in the modern world, but the debate is far from settled.

Concern for Equity and the General or Public Interest

Complex contracting rules, detailed specifications of entitlements, centrally controlled funds, and a host of similar impediments to New Public Management are viewed as the means to carrying out ethical or moral principles that are at the foundation of modern democracies.

Irrelevance

New Public Management may simply be rejected as incompatible with national values, or, alternatively, unneeded. With economic globalization and the expansion of multinational business enterprises, an extensive literature has developed on how national customs and cultures affect behavior and private sector management styles in different countries. There is no reason to believe that these are not applicable to public sector institutions. Such ideas as empowerment (i.e., delegation of substantive decisions to front-line service providers) and customer orientation may be incompatible with workplace norms or ethics in some cultures. Alternatively, concepts of devolution or decentralization may seem irrelevant in countries where these ideas have been attended to for many decades (see, for example, Sören Häggroth, Kai Kronvall, Curt Riberdahl, & Karin Rudebeck, Swedish Local Government, the Swedish Institute, 1993).

Increased Litigation

As the number of disputes that are settled in the courts increases and the pressure to codify government policies in ever-greater detail increases, the degree
of administrative discretion decreases and the New Public Management becomes more difficult to carry out.

This conflict between the traditional law-based public administration and the New Public Management may be explicitly and forcefully stated. An example is Moe's criticism of the National Performance Review in the U.S.: he suggests that such measures undermine the Constitution, the Congress of the United States, and ultimately the President himself (Moe, 1994; also Frederickson, 1994; and Denhardt, 1996).

More often, however, there exists an incompatibility or conflict that is not articulated. Recent articles on the evolution of public administration in Germany, for example, are preoccupied with extending the West German legal and administrative structure to the East, rather than identifying customers and measuring outcomes (Seibel, 1996; Derlien, 1993).

In France, there is a tradition of detailed state intervention and regulation by a fairly independent bureaucracy, coming out of the establishment of the Republic. Under the French legal tradition, the state is not impinging on the freedom of the individual, but protecting the rights of citizens. The idea that the citizens might be having their rights protected more than they actually desire is not an integral part of this tradition. The central resistance to New Public Management of this tradition is alluded to Luc Rouban, who characterizes it as follows:

> More than in any other industrialised country, political change in France depends upon the administrative system. Major public policies, as in the field of education, are as highly resistant to external pressures as they are embedded in a corporatist decision-making process. Some ministries, such as the national education ministry or the finance ministry, are commonly designated as "fortresses", either they are supported by strong civil service corps or they rely on captive "customers" habits or on having a delicate equilibrium with grass roots interests. Radical political changes have little impact on these organisations because any government needs them in order to maintain social peace and, by extension, its own life. The worst thing a French government can face is an implicit or explicit agreement between civil servants and users when they both consider that "their" policy is jeopardised. (Rouban, 1993)

Nevertheless, he describes France as having undergone substantial reform. Whether it fits the model of the New Public Management is more difficult to assess (p. 441). It is of considerable interest that the prestige services (the Conseil d'Etat and the Cour des Comptes) get the lowest marks for modernization, and continue to be staffed overwhelmingly and disproportionately from France's social elite.

Assessing the impact of legal systems on the New Public Management is, of course, a daunting task. A particular difficulty is that while there are broad and distinguishable kinds of law, the legal tradition and its interaction with society is unique to each country, and its compatibility with the ideas of New Public Management is similarly unique. However, it is broadly correct to say that the
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general good or the general welfare is defined in law, and laws are used to promote these values over personal gain. It is possible to distinguish between those who have viewed law as an instrument in governing ("green light theorists") and those who have viewed it as a means of restraining government ("red light theorists"). Clearly, those who take the latter view are going to examine New Public Management ideas about increasing the authority and discretion of officials with some care (Drewry, 1995: 47).

For the "Green Light" school of thought, the fact that law in OECD countries has become much more extensive in the past 100 years is a virtue. The Welfare State has not only codified many new aspects of life but has done so in more and more detail. This trend represents the greater development of the general interest (in contrast to interests of individuals). But it is not clear that the green light school constitutes a source of support for the New Public Management. This is because the New Public Management often carries an efficiency connotation that suggests cutting corners on citizen entitlements, or at the very least increasing flexibility on how they are administered, and because it calls into question the need for governments to provide services directly. Thus, both schools may find the New Public Management suspect, but for different reasons.

Either school is also likely to lend further support to litigation, one in an attempt to limit government action and the other to gain for citizens the full range of benefits to which they are entitled. While the United States is well known as a litigious society, the trend towards more and more dispute resolution through administrative law tribunals or the courts is common to most OECD countries (Drewry, 1995, p. 55; also, Roger Errera, Seminar of the Public Management Service, unpublished). Thus, New Public Management may find itself in court, where economy, efficiency, and effectiveness are not convincing rebuttals to the letter of the law.

A Political Perspective

On March 5 and 6, 1996, ministers from OECD countries responsible for public management came together for the first time. For one and one-half days, they were challenged to discuss public management from their point of view as political leaders.

The Ministerial Symposium was not explicitly about the New Public Management. However, its structure and content was in contrast to the way public management has often been seen in the past. For many years, the OECD countries have viewed it as a matter of designing administrative structures to carry out public programs efficiently, of faithfully executing laws and regulations, of responding responsibly to political leaders, or some combination of these. The Symposium was broader, more integrated, and more political. Ministers discussed
public management topics within the framework of three broad themes (OECD, 1997).

The first session considered how governments are coping with the new demands placed on them. Ministers discussed such questions as how, in the current environment, democratic countries decide on the proper scope of government activity, and, in the context of fiscal austerity, new answers to the question of what constitutes proper public expenditures.

The second session covered the provision of public services in an environment of strong-media influence, single-issue interest groups, and rapid increases in the amount of information available and the speed with which it is transmitted. Ministers discussed citizen involvement and forms of consultation, as well as the relationships between government officials and interest groups.

The third session considered how to seek solutions to long-range problems in a world that demands immediate actions. The ministers discussed ways of changing the process of decision making to reflect more adequately such long-range forces as globalization, demography, and the need for investment in infrastructure and human capital.

Much of the discussion throughout the Symposium was relevant to the New Public Management. However, the first session was focused on country experiences with reform, and thus, pertained directly to the issues of how political leaders are reacting to ideas coming out of the New Public Management.

Almost all Member countries reported that they have undertaken public management reform efforts, and many see them as continuing processes. Delegates were surprised at the degree to which they shared this experience. The Chair stressed this point in the statement that she issued at the end of the meeting. She noted seven ways in which OECD countries have responded to pressures for change in the role and structure of government, many or all of which reflect the approaches of the New Public Management:

1. decentralization of authority within governmental units and devolution of responsibilities to lower levels of government (for example, municipalities)
2. re-examination of what government should both do and pay for, what it should pay for but not do, and what it should neither do nor pay for
3. downsizing the public service and the privatization or corporatization of activities
4. consideration of more cost-effective ways of delivering services, such as contracting out, market mechanisms, and user charges
5. customer orientation, including explicit quality standards for public services
6. benchmarking and measuring performance
7. reforms designed to simplify regulation and reduce its costs
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The interest in these ideas fell short, however, of unqualified endorsement. The ministers recognized the necessity of improving service delivery, treating citizens more like customers, and devolving more authority to lower levels of government, independent units of government, or nongovernmental entities. But they were unwilling to concede the more traditional responsibilities of the state, that is, as protector of the general interest and keeper of law and order, as the champion of fairness and equity, and as the caretaker for disadvantaged or handicapped citizens. On the contrary, defining how best to strengthen the ability to perform these functions of government was a central challenge. One delegate commented, "The box marked 'public interest' always needs close attention."

The aspects of the New Public Management that they found troublesome were new approaches to service delivery, the political risks inherent in flexibility, and the customer service ethic. They did not oppose these ideas, but neither did they find them without problems of their own. The Statement by the Chair noted specifically

- the tension between decentralizing and delegating service delivery (with its greater acceptance of risk-taking) and pressures for accountability to the taxpayer
- a similar tension between the desirability for flexibility and experimentation on the one hand, and the problems of avoiding politically embarrassing mistakes
- the need to serve citizens as customers on the one hand, while not neglecting the disadvantaged or vulnerable who may not be able to speak up as customers
- increasing local responsibility (devolution) while compensating for unequal local resources
- the advantages of consultation and consensus development versus the danger of becoming captive to narrow interest groups and the necessity for rapid decision-making, often forced by external economic events

These were not the only dilemmas the ministers identified. Those ideas less identified with the New Public Management included:

- the potential of media as a means of communicating with the public versus the threat of media as an undue policy influence
- balancing the advantages of information technology, in terms of service delivery and the availability of public information, versus citizen privacy and unrealistic expectations for governmental response
- conflict between deficit reduction in the name of future growth and the need for public investment in human capital, infrastructure, and research and development.
Most political leaders reported that there was voter dissatisfaction with the public sector and were looking for new ideas. To that extent, the New Public Management is appealing and the questioning of the traditional bureaucratic paradigm is taking place. Moreover, the ministers at the Symposium were comfortable in most cases discussing public management in the broad context of governance, and thus willing to question traditions of public administration in their countries. In some instances, political leaders have discovered that public management reform is good politics, and in others it has developed nonpartisan support.

However, large obstacles remain in many countries. Japan, for example, has a relatively small public sector, but an extensive system of government control and regulation. While regulatory reform is explicitly part of the government's agenda, there is much resistance, and the pace so far is slow. Mexico has announced reforms that reflect many ideas of the New Public Management, but lacks even a civil service to carry it out. Hungary, the Czech Republic, and Poland—new members of the OECD—are still concerned with transforming the former communist regimes into responsive democratic governments, and many aspects of the New Public Management seem for the time being, to be out of reach. In the U.S., the current administration is enthusiastically embracing the ideas of the New Public Management. Both procurement reform and performance measurement have been supported by Acts of Congress, but how much further the Congress will be willing to release its grip on agency micromanagement is unclear, and the volume of litigation regarding all aspects of public services and regulation shows no signs of diminishing. Countries like the U.S., Canada, Australia, and potentially Mexico must also cope with the problem of changing public management culture in the context of substantial reductions in the number of staff and the resulting morale problems.

Political leaders may support and even embrace the New Public Management, but in an environment where the obstacles are formidable.

NOTES
1. The standard distinction between public policy and public management is that the former deals with developing optimum solutions and the second with effectively executing them. Many argue that the distinction is a false one; execution inevitably involves policy (or political) choices. That is of course true, but it is useful to recognize that some governmental functions largely involve policy analysis and political choice, and others are weighted heavily toward execution of programs. Instances where the overlap of the two is extensive are likely to reveal public management environments that deserve close attention.
2. The quotes from Kuhn are from The Structure of Scientific Revolutions: 108.
3. The concept of value is not intuitively obvious. A financial columnist for the Financial Times asked his reader the following question: If you give a friend a bottle of wine that you purchased for £15 (1980) and it is now available for sale at £60, what is the value of the gift? He received a wide range of answers that took two columns to explore.
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