In his first independently authored book, Oliver James presents what the dust jacket proclaims is the first book-length assessment of the UK Next Steps program (for an earlier book-length assessment of the Next Steps initiative, see Greer’s 1994 text). This is the eleventh book in the Transforming Government Series that is edited by R.A.W. Rhodes and which has emerged from the Economic and Social Research Council’s four-year Whitehall program. In this text, James seeks to answer a number of questions about the Next Steps agencies that were created following a 1988 report from the Prime Minister’s Efficiency Unit: “First, why did the executive agency reform occur?” (7); “Second, how has the use of executive agencies developed in central government?” (8); and “Third, have executive agencies improved the performance of central government?” (8). However, as the title of the book indicates, an even more important objective of the book is to evaluate two competing theories of government action: the public interest model and the bureau-shaping paradigm. James makes a significant contribution to our understanding of the Next Steps agency movement in the UK.

James opens his book by situating executive agencies in the broader set of New Public Management (NPM) reforms. While Christopher Hood (1991) originally defined NPM as a marriage between the ideas of managerialism and new institutional economics, James distills the essence of the still contentious concept in accordance with his focus on agencies. James therefore focuses his analysis on the transformation of the traditional structures of the state, assigning the NPM-inspired introduction of private-sector management practices lesser importance than is characteristic of much of the literature on this subject. Furthermore, he identifies the predominant weakness of NPM scholarship; namely, that “the analysis of NPM changes has developed at a high level of
abstraction,” as most explorations of the subject have “tended to focus on the newest initiative rather than exploring the outcomes of reforms” (2). James claims that his analysis will provide a better understanding of the UK experience of NPM while also providing “a good starting point for accumulating knowledge that is of relevance to central government . . . in other countries” (2). James is perceptive enough not only to see the establishment of executive agencies as part of an international trend but also as a step in the incremental evolution of a national historical trend. We therefore learn that Next Steps was not a revolution, but merely a new embodiment of the arm’s-length relationship that exists between the national government and its local counterpart as well as the national industries (6).

In his analysis of the public interest and bureau-shaping perspectives of government action, James makes a significant contribution to the fields of public management and our understanding of executive activity, as well as the relationship between political elites and their civil service associates. The public interest perspective, which was embraced by the government and infused the Next Steps report, involves the promotion of utilitarian ideals. According to this perspective, the creation of agencies was instigated by politicians on behalf of the citizen service users and taxpayers to increase the value of their investment. As James states, “[t]he perspective views the reform as a fundamental change, with the outcomes improving the economy, productive efficiency and effectiveness of public services handled by individual executive agencies with beneficial effects on the systemic performance of central government” (9). In contrast to this view, in fact a radical alternative in the opinion of James, the bureau-shaping perspective holds that “the incentives facing officials in individual executive agencies lead them to budget maximize, improving effectiveness but worsening economy and leaving productive efficiency unchanged. At the systemic level, as well as a deterioration of economy, executive agencies do not take into account the consequences of their activities on other executive agencies and departments that are not part of their own narrow performance regimes, setting up public sector externalities that damage central government systemic productive efficiency and effectiveness” (11).

Despite showing the depth of his expertise in this field throughout the book, there are significant omissions in James’ analysis. Despite his identification of the two major participants in the reform process, the politicians who invoked these reforms and the civil servants charged with improving the delivery of goods and services to the public, the author either overlooks or intentionally restrains himself from discussing other possibilities. While this is not necessarily detrimental to James’ argument and can even be explained by his explicit intention to concentrate on two specific theories, it does leave the reader with questions about the complete validity of the argument. Most notably, and in light of the criticisms that have been leveled against agencies over the years, we are left wondering what James thinks about the possibility that politicians initiated the reforms for reasons of self-interest. The lack of any commentary on this hypothesis by the author is surprising, given his familiarity with and indepth knowledge of rational choice theory. Finally, any assessment of the motives of the politicians involved in the creation of the Next Steps initiative is weakened by the text’s reliance on their public statements. While James has conducted a number of interviews with senior officials, he has not interviewed any politicians for this project. While it is of course difficult to obtain access to elite politicians, the inclusion of the private
reflections of Prime Minister Thatcher or one of her cabinet colleagues would have significantly strengthened the work.

James’ command of the economic model of politics and its application in this study provides the reader with much food for thought. Rational choice theorists have traditionally been divided between Niskanen’s (1971) budget-maximizing interpretation of action and Dunleavy’s (1991) refined bureau-shaping model. James, while adopting Dunleavy’s label, introduces his own perspective of rational choice which weaves a tapestry from the threads of these two earlier models, which is more sophisticated and proposes answers to some of the open questions about the validity of the public choice model. To these ends, James accepts Niskanen’s hypothesis that bureaucrats seek to increase their agency’s budget at the same time that they seek to shape their bureau in the mold outlined by Dunleavy. Therefore, officials seek not only to maximize their budget per senior official, but also the amount of their time that is dedicated to policy work. James adds credibility to his argument by avoiding Niskanen’s pitfall of making generalizations about the motives of all bureaucrats as he subdivides agencies (just as Dunleavy did). James divides agencies between those that are trading, that is, raise revenue by charging customers for goods and services, and nontrading agencies that receive the lion’s share of their budget as a grant from their department. Furthermore, for a brief shining moment, James even constrains the motives of bureaucrats by burdening officials with the oversight of politicians who, as self-interested representatives of the people, define the maximum possible range of budgetary options (28-29).

Based on these two radically different theories, James derives a set of hypotheses to answer the questions that he defined in the first chapter of his work. He argues that it would be very difficult to answer these questions and evaluate his theories and that “a less demanding method of evaluation is sufficient to assess the main hypotheses about key aspects of reform processes and outcomes” (31). This is where the work reveals its weakness. After impressing the reader with a very good synthesis of ideas and making us think about the complexities involved in the functioning of government, James elevates a political model over real-world action in an effort to evaluate the more basic hypotheses that he derives from these theories. To begin with, James dismisses the public interest notion that politicians had a complete plan for reform, and argues for the bureau-shaping hypothesis which holds that the Next Steps program was the result of officials who wanted to maximize the amount of their time dedicated to policy work by hiving off mundane production and management activities to agencies. However, rather than one hypothesis winning out over the other, these activities can be seen as part and parcel of the same process. No, the politicians did not have a comprehensive reform program drafted, and yes, based on the evidence that James presents, it is quite probable that the civil servants who drafted the reforms wanted to increase their perquisites of office. However, that is how government works. Politicians have ideas and delegate the final construction of plans and their implementation to civil servants. Additionally, while the wishes of senior officials may have in fact played an important role in shaping the plans as James indicates, even if these mandarins were opposed to the proposals they could have been implemented if they were supported by the prime minister.
In his discussion of the development of agencies in central government, as in the rest of the book, James relies heavily and almost exclusively on the case of the Department of Social Security and the Benefits Agency in particular, which is most likely a result of his earlier examinations of these entities. While this tells us a lot about one nontrading agency, it brings into doubt the overall generalizability and validity of James’ conclusions and assessment of the proposed hypotheses, especially regarding those agencies that operate on the proceeds of their goods and services. This distinction between trading and nontrading agencies becomes more important when James examines the performance of the Next Steps reforms. For instance, while 60 percent of nontrading agencies were able to reduce their administrative costs between 1995 and 1998, 58 percent of the trading agencies actually experienced an increase in the cost of administering their operations over the same period. The result is that “in terms of both the direction and size of the cost changes, non-trading agencies were more consistent with the public interest perspective and trading agencies were more consistent with the bureau-shaping perspective” (90). Ultimately, James concludes that executive agencies, at least in the UK experience, are not associated with improvements in economy and productive efficiency.

Through his analysis of the Next Steps program and the functioning of the executive agencies that were created as a result of it, James manages to identify the source of some of the performance issues that have plagued the current Blair government. These challenges, what James calls the systemic effects of executive agencies, can even be linked to the problem of joining-up government which has been a key theme of public management policies in the two Blair governments. James’ text helpfully offers a two-by-two matrix of the structures that can be used to coordinate and steer the work of agencies to overcome the negative consequences of disjointed agency activity. This book is therefore not only an examination of past reforms, but a tool that can help academics as well as politicians and government officials to improve the systems that deliver services to the public.

Throughout this book, James focuses on two different theoretical explanations for the initiation and functioning of the Next Steps agencies that were announced in 1988. While the public interest perspective focuses on the words of politicians and makes broad sweeping claims for improvements in the three Es of economy, efficiency, and effectiveness, James comes to support the alternative bureau-shaping perspective. James makes a contribution to our understanding of the agencification process, especially advancing knowledge about the Department of Social Security’s Benefits Agency. However, despite original contributions and advancements to several fields of study, James’ work is merely a first step—albeit a first step that is long overdue. His admittedly conservative methodology limits the generalizability of his conclusions, and his strict examination of the hypotheses which he derives from the two theories overly simplifies the complex process of policymaking. James expresses the hope that his work will provide “a good starting point for accumulating knowledge that is of relevance to central government both in the UK and in other countries” (2). He successfully fulfills this aim in a text that not only expands our knowledge of a very significant reform initiative, but also greatly advances the sophistication of a debate that has remained rather stagnant during the last decade.
REFERENCES


