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CHAPTER 21

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SMART POLICY?

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TOM CHRISTENSEN

1. INTRODUCTION

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The traditional state or "old public administration" takes the form in many countries of a centralized and integrated state that combines conscious structural design with a integrated culture (Olsen 1988).[1] Its strength lies in its capacity to act and its ability to accommodate simultaneously various legitimate considerations and create trust (Egeberg 2003). Its potential weaknesses are domination by a few elite groups, excessive complexity, and problems of effectiveness, efficiency, and accountability (Weaver and Rockman 1993).

When New Public Management (NPM) arrived in the early 1980s, initially most systematically in Australia and New Zealand, but also in the UK and USA, it was presented as a kind of antithesis to the centralized state model.[2] It was labeled a "supermarket state" because it focused on the service-providing functions of government (Olsen 1988). NPM emphasizes cost efficiency, markets, competition, contracts, devolution, decentralization, etc. (Self 2000). It may be viewed as a new technical instrument—an optimal means, inspired by new institutional economic theory, of organizing government and solving the efficiency problems of governments all over the world—or else as a "shopping basket" of reforms with heterogeneous and inconsistent features (Pollitt 1995). While it contains some core concepts and ideas, its incorporation of both centralizing and decentralizing elements, whether connected to new institutional economic theory or management theory,

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[1] This is of course a simplification, since states will vary in their degree of centralization and cultural homogeneity. However, these are some core features of the old type of state.

[2] See Pusey 1982; Hilmer 1993; NZ Treasury 1987; Boston et al. 1996; Considine and Lewis 1999; Considine 2001, 2002.

makes it potentially difficult to use to solve a priori problems (Boston et al. 1996; Christensen and Lægreid 2001, 19–20; Kettl 1997).

A third perspective, adding to the traditional and supermarket ones, sees NPM as a new "corporate culture" concerned less with internal problems and rights and more with external needs and the interests of the consumer (McKevitt 1998). A fourth perspective sees NPM more as a new ideology than a specific reform program (Christensen and Lægreid 2003b). According to this perspective, the primary effect of NPM reforms is to further neoliberal ideology and symbols rather than to produce actual reforms. Reform ideas are easier to spread than reform practice, so when political leaders state their intention to implement reforms, they often engage in "double-talk" or "hypocrisy," trying to balance talk and action (Brunsson 1989). Thus NPM reform processes and effects are open to a variety of interpretations and have different meanings for different actors and stakeholders.

This chapter focuses on "smart policy"—the term used by reform entrepreneurs espousing the instrumental-technical perspective on NPM to describe its alleged enhancement of *effectiveness* and *efficiency*. We discuss whether this is a defendable position, addressing the following questions: First, what are the main ideas and practical reform elements in NPM? Second, what are the main preconditions for smarter policy? Is smarter policy made *feasible* by NPM reforms? Is this primarily a question of rational calculation—more unambiguous means–end thinking—or political-administrative control, or a combination of both (Dahl and Lindblom 1953, 57)? Is it (eventually) *desirable* to produce smarter policy through NPM? What are the normative pros and cons? Does NPM create more polarization between actors? Third, what do we know about the effects of NPM? How easy is it to show that these type of reforms result in smarter policy? Is the effect of smarter policy demonstrable in some dimensions but not in others? Fourth, does joined-up government as a new reform element show the limits of trying to be smart, or does it make policy even smarter?

2. Main Features of New Public Management

NPM is presented by its supporters primarily as an efficiency instrument (Self 2000). It is often promised that NPM will result in more efficiency overall, but the preconditions for or indicators of this are seldom discussed. Efficiency and rationality are effects that are generally taken for granted, and the appeal of these values for most actors makes them potentially strong symbols (March 1986, 30–2). NPM's preoccupation with efficiency reveals a view of the public sector primarily as a service provider and not related to a strict command structure, while other legitimate aspects of governmental activity are assigned a secondary role. The implementation of NPM reforms in New Zealand has shown that service provision can be defined very widely

and in a quantitative way, de-emphasizing both traditional control and regulation functions and qualitative aspects of service provision (Gregory 2001, 247–9).

The efficiency perspective also embraces the assumption that the public sector can learn from the private sector, often in an unconditional and one-dimensional way (Self 2000). This involves the deployment of competition and market mechanisms–competitive tendering, consumer choice, or benchmarking—and the use of contracts, in such arrangements as the contracting out of services, leadership contracts, or other relational contracts (Martin 1995). Other elements borrowed from the private sector in the name of efficiency include the unambiguous definition of goals and the means or instruments to achieve them, monitoring and evaluation of results, and the use of incentives (Sahlin-Andersson 2001, 48–52). Moreover, it is considered desirable to have a less ambiguous division between politics and administration, more transparent decision-making processes, and clearer criteria for accountability. NPM also pays more attention to consumer interests, advocating more direct consumer access to service providers and more direct influence on the organization, pricing, and quality of services, etc. (Fountain 2001).

The NPM-oriented reforms in the UK under the Conservative governments seem to appear in three phases and combine marketizing and minimizing (Pollitt and Bouckaert 2004). First, there were cuts in the number of civil servants, then from 1982/3 decentralized management and budgets became popular together with more emphasis on audit (the three Es—economy, efficiency, and effectiveness), reform of the NHS, and privatization programs from the mid-1980s. From 1987 stronger market mechanisms were used (education, health, and care), the purchaser/provider split established, performance indicators used more, and further privatization decided. The largest reform was, however, the Next Steps program from 1988/9, establishing 140 executive agencies (70 per cent of the non-industrial central civil service) subordinate to the ministries/departments (Goldsworthy 1991; Trosa 1994). In early 1990s the increased consumer-orientation resulted in the Citizens' Charter (UK Prime Minister 1991, 1994), but also different types of competitive tendering and contracting out. Further, in the mid-1990s, some ministries/departments were downsized after management reviews. When Blair became prime minister not much was reversed of the reforms; they were only somewhat modified in a rather loose package of partly old reforms. He emphasized more professional management, efficient service delivery, more coordination through partnership and joined-up government, and more evaluation.

The Reinventing Government program introduced in the USA in the 1990s (Osborne and Gaebler 1993) was viewed both as one in a series of many rationally oriented reforms in US history (Downs and Larkey 1986) and as a US version of NPM (Aberbach and Rockman 2000, 135). Reinventing Government was related to the Performance Management Review (PMR) initiated by Al Gore (1993) and contained four main elements (Aberbach and Rockman 2000, 143–7): First, cutting red tape—i.e. streamlining public administration and removing rules and other obstacles to efficiency. This was problematic, since rules are important instruments in the US public sector and politicians are constantly producing new ones. Second, an

increased consumer focus—implying more competition and use of business methods. This principle disregards the citizenship role and neglects the problems of heterogeneous consumer interests and providers, focusing primarily on profit. Third, empowering leaders and employees—meaning more delegation and decentralization. The problem here was to delegate authority without undermining central political control. Fourth, cutting back to basics—related to cutting programs and costs. However, the definition of a basic program or task is probably more a political than an administrative question (Fredrickson 1996).

Neither NPM nor the Reinventing Government reform nor the varied UK reforms pay much heed to the diverse features of the public sector and civil service (cf. Allison 1983). First, efficiency is only one of many considerations in the public sector, and often not the most important one. The definition and furthering of collective goals by political executives, and the decision-making efficiency and political loyalty connected to these goals, are important, as are the professional competence of civil servants, the protection of people's rights, the obligations of politicians, civil servants, and citizens, and concern for the interests of affected parties and interest groups, etc. (Egeberg 2003). Second, public goals are often multiple and ambiguous, because there are so many different stakeholders, interests, and considerations, and public administration is often correspondingly multistructured, multifunctional, and multicultural. Third, public organizations are path dependent and attend to particular complex historical traditions (Peters 1999; Selznick 1957). The roots of public organizations and the context in which they were established create different trajectories and determine the routes taken. Public organizations may be "historically inefficient" related to reform efforts because they care more about integrative cultural features and informal norms and values than aggregative features and instrumental goals (March and Olsen 1989). These features may potentially limit the implementation of NPM and hence of "smart policy."

When NPM took hold in New Zealand and Australia in the 1980s, the reforms were said to be theory driven and therefore "pure" and consistent (Pusey 1982; Boston et al. 1996, 16–35). However, since then many researchers and studies have shown that while the basic ideas of NPM may be fairly consistent, its implementation in practice contains many contradictions (Pollitt 1995). NPM is inspired by a combination of new institutional economic theory, which advocates centralizing elements and contract features, and management theory, which espouses devolution, decentralization, delegation, empowerment of managers and users, etc., which points in a rather different direction (Yeatman 1997). The balance between these two elements will vary between countries, but the management elements seem to have gained the upper hand in many political-administrative systems (Christensen and Lægreid 2001, 28). NPM treats the roles of political and administrative leaders ambiguously, saying on the one hand that political leaders cannot be trusted, because they promise too much, particularly when running for election, and thus produce inefficiency, showing an anti-political element. On the other hand, NPM assigns political leaders a central role in ensuring that goals are fulfilled, results met, and incentives used, suggesting that they can be trusted. In accordance with the management ideal,

administrative leaders are delegated functions and authority, can choose how goals are to be attained, and also control others on behalf of the political executive. However, they are also more subject to control by political leaders than they were before, for example through contracts of various kinds. These inconsistencies may be one major reason why several studies have concluded that NPM produces more, not less complexity and bureaucracy (Pollitt and Bouckaert 2004).

3. PRECONDITIONS FOR SMARTER POLICY

Two main components determine the success of smarter policy in practice: *feasibility* and *desirability* (March and Olsen 1983; Pollitt and Bouckaert 2004, 26). Feasibility concerns the quality of the organizational thinking behind NPM and the potential for controlling the reform process and its implementation. Desirability is about what kind of society and political-administrative system is preferable.

Feasibility may be connected to what Dahl and Lindblom (1953, 58) labeled *rational calculation*, i.e. the quality of the organizational or means–end thinking. Do the main ideas of NPM draw a strong enough connection between economic/management ideas and organizational solutions to further smart policy? Boston et al. (1996, 16–35) show that the basic economic ideas in NPM may translate into a number of different organizational forms—i.e. contrary to the arguments of many reform entrepreneurs, the ideas of NPM do not offer one "best solution." What is more, NPM encompasses many different economic theories, which further complicates the feasibility question. Added to this is the inconsistency between the economic and management theories shown above. A reasonable conclusion is, therefore, that the theories and ideas behind NPM are underdeveloped and do not provide a satisfactory basis for organizational solutions and concrete reform efforts.

Another aspect of the feasibility question is whether it is possible to isolate efficiency or make it so dominant that all other factors are unimportant. This seems highly unlikely, since political-administrative systems embrace a great many other legitimate considerations. Hesse, Hood, and Peters (2003) draw a distinction between effects connected to main goals (efficiency) and side effects, and consider whether reforms bring about the intended result, the opposite result, or no change at all. Thus, the ideal situation would be reforms that are unambiguous in their ideas and solutions and produce the expected efficiency gains while yielding one or more positive side effects, such as political-democratic control. The second best result would be the fulfillment of the main goals with neutral or no side effects, or else limited negative side effects. The worst-case scenario would be failure to achieve the main goal and negative side effects.

A third aspect of rational calculation concerns the question of effectiveness. How easy is it to get public decision makers to define their goals and the means of

achieving them less ambiguously and to obtain and evaluate information about the results (Pollitt and Bouckaert 2004)? While the pressure exerted by NPM in this direction may help to increase awareness (Christensen and Lægreid 1998), public goals are by nature complex and ambiguous, simply because so many different and inconsistent interests and considerations need to be balanced. Therefore, while NPM may go some way to simplifying and clarifying the goal structure, much ambiguity and complexity will remain. While many NPM entrepreneurs find this frustrating, skeptics point out that it is an inherent feature of the system, not a sign of a public "disease."

Summing up, there are few general reasons to believe that NPM-related thinking will easily lead to increased efficiency and effectiveness and therefore smarter policy, particularly when NPM reforms are broad-ranging and ambitious. The preconditions for smarter policy may be more favorable if reform is narrow, related to one sector, public institution, or function, or if it is related to functions that inherently are easy to quantify (e.g. technical functions) or targeted by elites as quantifiable (Christensen and Lægreid 2001, 310–11).

A second aspect of the feasibility question concerns political, administrative, or social control (Dahl and Lindblom 1953, 58). How easily will different stakeholders, inside and outside the public apparatus, accept the organizational thinking behind the reforms and the efforts to implement them? The first problem will probably be disagreement about the goals, i.e. some actors will oppose putting so much emphasis on efficiency. Second, even if there is agreement about general goals there may be strong disagreement about means, such as whether policy instruments like competitive tendering are really the best ones. In both cases curtailment or modification of the reforms would be the probable result. Third, there might be general problems of enacting hierarchical control in reform processes. Members of the cabinet may disagree about the reforms, there may be a tug of war between sectors and ministers, political executives holding responsibility for reforms may lack the necessary authority, and political and administrative leaders may conflict over the reforms. Tensions may exist between different governmental levels, the opinion of international actors may have to be taken into account, or more broadly speaking, interest groups or ad hoc groups may try to stop or modify reforms.

Comparative studies of NPM reforms seem to show that controlling and implementing such processes is generally more easy in Anglo-Saxon countries, where the dominant party, often through some kind of political entrepreneurship, can "crash through" the reforms, while in other types of parliamentary system with coalition governments the control is much more problematic and negotiations and compromises more evident (Christensen and Lægreid 2001; Pollitt and Bouckaert 2004).

Summing up, viewed from the control angle the best scenario would probably be support by most actors for means–end thinking, a strongly united political and administrative leadership, and acceptance of their authority by most other actors (March and Olsen 1983). The worst-case scenario would be loose organizational thinking criticized by most actors, internal conflicts in the leadership, and strong resistance to reform from many different actors. In reality several studies of

NPM-related reform processes have shown mixed results with regard to feasibility features (Christensen and Lægreid 2001; Pollitt and Bouckaert 2004; Rhodes and Weller 2001).

If the two main aspects of feasibility—organizational thinking and control—are combined it becomes clear that the ideal preconditions for smarter policy are unambiguous means–end thinking, expected effects, and strong control of the reform process. Generally speaking it is easier to exercise control than to produce carefully thought-out and well-planned reforms (March and Olsen 1983). In most countries it is accepted that political and administrative leaders will control NPM-like reforms as they do with other reforms. However, reform entrepreneurs often have problems presenting unambiguous and consistent reforms, because political-administrative systems are complex and not easily understood or changed. Generic solutions and reforms alleged to fit any political-administrative system are often offered as an answer to this complexity and ambiguity. The advantage of decontext-ualized solutions of this kind is their strong symbolic potential (Meyer and Rowan 1977; Røvik 1996); the obvious disadvantage is that in the process of being adapted to a particular context they become dependent on unique combinations of national structures and cultures. The most successful NPM entrepreneurs manage to balance decontextualization and contextualization.

Most NPM-related reform processes, like other public change processes, are characterized by "bureaucratic politics" (Allison 1971; Allison and Zelikow 1999) or Realpolitik (March and Olsen 1983)—i.e. a struggle between elite actors with differ-ent interests and definitions of reform. One way of resolving this situation is to have strong coalitions dominating the reforms, something that is more feasible in Anglo-Saxon countries, where power relationships are more potentially instrumental (Hal-ligan 2001; Hood 1996). This may create problems of legitimacy, however. This happened in New Zealand in 1984 when Roger Douglas forced through reforms. Later on, probably as a reaction to this, a referendum about the election system produced a majority in favor of an MMS system that created more small parties and undermined conditions for future reforms (Goldfinch 1998, 197–8).

A second way is for competing actors to engage in a lengthy negotiation process and finally reach a compromise between efficiency-oriented interests and traditional and path-dependent considerations. The inclusion of a greater number of actors in the process has the advantage of enhancing the legitimacy of reforms (Mosher 1967). A disadvantage might be that the eventual compromise deviates from the reform vision of the political and administrative leadership and produces a certain amount of ambiguity and eventually inadequate reform responses. A third way is sequential attention to goals and quasi-solution of conflicts (Cyert and March 1963), meaning that different considerations and interests are catered for at different points in time, as in the negotiation process in the US Congress. While this accommodates many interests, it may create inconsistency.

The question of *desirability* is at the heart of the normative issue (Goodin and Wilenski 1984; Le Grand 1991). NPM reforms may be feasible, but whether they should be furthered or implemented depends on basic ideological and cultural

norms (Self 2000, 159–69). Does NPM represent a normative trend with the potential to create new types of leaders, citizens, public systems, and societies, or is it a less fundamental reform model, aimed at modifying only certain aspects of traditional public sector models?

The debate about NPM reform processes often takes place at the symbolic or ideological level (Brunsson 1989). Advocates of NPM gather support for reforms by stressing all the worst things about the traditional centralized state, particularly its legitimacy and efficiency problems. Myths and symbols are used to convince people that NPM-related reforms have all the instrumental answers to the pressing problems of a modern state (Christensen and Lægreid 2003*b*). Skeptics and opponents of NPM see this primarily as a neoliberal crusade, undermining and destroying traditional and well-functioning public systems. NPM ideas are presented as highly problematic and their potentially negative effects exaggerated, while the old public administration is held up as heroic and flawless. The result is normative polarization. While supporters of NPM often claim that there are objective reasons to say that the old public administration has failed concerning efficiency and caring for clients/users, opponents fiercely deny this and underline that empirical evidence for this is loose and that "if it ain't broken, don't fix it."

The "ideological war" over NPM, part of a continuous normative conflict, is being waged chiefly between neoliberal parties, which argue that these reforms are desperately needed and desirable, and socialist parties or left-leaning social democratic parties supported by the trade unions, which perceive NPM reforms as extremely damaging (Hirschman 1982; Self 2000). It is also manifest, however, in the conflicts within social democratic and labor parties, particularly in Europe, many of which have moved to the right in the last two decades and helped to open the way for NPM reforms. The modernizers have claimed that accepting some features of NPM is necessary to survive, while the opponents have accused the modernizers of selling off the "family silver." Among scholars the debate has been fierce, with symbolic overtones (Callinicos 2001; Giddens 2002)

Another indicator is the increased attention to evaluation processes. Evaluation has become much more popular and is used by reform advocates, who often have the upper hand in the modern reform processes, as a political-symbolic instrument to brand most reforms as successes, and to underline the need for continued reforms (Boyne et al. 2003; Christensen, Lægreid, and Wise 2003). The opponents of NPM have tried to come up with counter-symbols and counter-expertise to undermine the reform process.

The desirability question may also be connected to informal cultural norms and values in political-administrative systems. Supporters of NPM often argue that traditional and centralized government is rule oriented and introverted and that it is insufficiently oriented towards the environment and the consumers of public services. Opponents of NPM counter that these reforms are incompatible with legitimate traditional norms and values, and it is necessary to care more for traditional bureaucratic norms and values (cf. March and Olsen 1989; Selznick 1957). They believe NPM creates actors who are rational and strategic in a one-dimensional

sense. They often cite increasing problems of accountability in crisis situations and problems of corruption under NPM, as seen in New Zealand (Gregory 1998, 2001). A third position is to emphasize that NPM reforms are quite often about a new balance of old and new cultural elements, not substituting the new for the old ones. Gains (2004) shows, for example, that the working of the Next Steps agencies in the UK have been characterized by an ambiguous and flexible combination of old and path-dependent elements, like ministerial responsibility, together with new features like hands-off management and performance indicators and result orientation.

4. SMART POLICY AND THE EFFECTS OF NPM

If we look at the effects of NPM—how easy is it to show that NPM has led to smarter policy, i.e. more efficiency and effectiveness? Is it possible to answer this question in a general way or do we need to analyze different dimensions and reform elements?

Since NPM introduced a large number of reform elements at the same time, some of which point in different directions, it is clearly impossible to make a general analysis of the effects of reform on efficiency. Instead, the effects of different reform elements need to be analyzed individually. NPM aimed to produce more efficiency via several structural changes, like increased structural devolution (vertical differentiation) and increased horizontal specialization (single-purpose organizations) (Boston et al. 1996, 354–9; Christensen and Lægreid 2001, 133–42). This seems generally to have produced more bureaucracy and probably less efficiency. NPM has probably simplified the jobs of leaders of subordinate organizations, like agencies and state-owned companies, because they have fewer considerations to attend to, but at the same time the roles of top leaders have become more complex and potentially inefficient. In a few countries, like New Zealand and the UK, there has been a conscious attempt to reduce personnel, but this is not the main picture (Gregory 2001).

The most likely area for efficiency gains is public service provision, particularly where competitive tendering is used. Several studies have been conducted in this area, mainly by economists. Their overall conclusion is that NPM leads to savings and efficiency gains, often of around 20 per cent or more (Domberger and Rimmer 1994). More sophisticated studies put this figure rather lower, however (Hodge 1999). There are also problems of measurement, and savings will vary according to the type of service, the market situation, and "purchaser competence." The main finding seems to be that savings result from increased competition as such, irrespective of whether the service is public or private, but this is disputed (Hodge 2000; Savas 2000).

One crucial question is whether increased efficiency through competitive tendering has been obtained at the expense of other considerations. In the old public administration many considerations other than purely commercial ones were

coupled to service provision, such as more general societal considerations or issues of sector policy. Many of these involved additional expense and have now been removed from the services. They are often defined as non-commercial and as something that involves extra payment (Christensen and Lægreid 2003a; Self 2000). Clearly a narrower and commercial definition of a public service potentially may make it more efficient. Examples of this are when regional considerations in communications policy are weakened by the introduction of competition, or when the interests of weak clients in educational, health, or social services are formally de-emphasized or taken care of in other ways. In this latter respect NPM understandably increases social differences (Podder and Chatterdjee 1998; Stephens 2000).

Another broader socioeconomic perspective on efficiency in public service provision concerns the fate of the workforce under NPM. In many countries, particularly Australia and New Zealand, efficiency gains were obtained by reducing the number of people working in public services, particularly in telecommunications and transport (Mascarenhas 1996, 272–314). Where the workforce is rather old or unskilled, these people may well end up in various pension programs, casting doubt on the overall economic gains of NPM.

It is often said that the increased consumer orientation of NPM will eventually lead to both increased quality and more efficiency. The argument is that the consumer knows best how to improve services and that increased consumer participation and influence will enhance service provision (McKevitt 1998, 37–67). There are few studies to show whether increased consumer orientation will lead to smarter policy. One factor undermining this argument is that consumer experience of and hence attitudes to public service provision vary considerably, so increased efficiency for one set of consumers may run counter to the interests of others (Aberbach and Rockman 2000, 145).

Another question is whether consumers really influence public service provision under NPM. While certain strong and coordinated groups of consumers may do so, possibly to the detriment of others, the overall picture is that service providers think primarily about profit. Allowing consumers too much participation or influence takes time and resources and is therefore not efficient (Fountain 2001, 56, 61, 64). In this respect the consumer orientation of NPM may have symbolic overtones. Nevertheless, certain consumer-oriented structural reform efforts look more promising in terms of efficiency than others. One example is the "one-stop shop" or "one-window" programs established first in Australia (Centrelink) (Halligan 2004; Vardon 2000) and later in Western Europe (Hagen and Kubicel 2000). They seem to make a difference for users with a complex problem profile and represent potential administrative efficiency gains, but may also create cultural conflicts and increase organizational complexity.

The other dimension of smarter policy is effectiveness. Does NPM make it easier to formulate, pursue, and fulfill collective public goals? One way to answer this rather complicated question is to ask whether public employees are more conscious of goals, means and results than before. Some studies show this to be the case (Christensen