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Management strategies of the UK

Noralv Veggeland

Lillehammer University College,

350 Gudbrandsdalsvegen, 2624 Lillehammer, Norway

e-mail: noralv.veggeland@hil.no

Professor of Public Policy, Department of Economics and Organization Science



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Abstract: “New public management” (NPM) was ostensibly intended to create “a government that works better and costs less”; “aptitude maximized, expense minimized” a slogan of nearly two centuries before. This paper is a critical to approach three decades or so of NPM reforms and new management strategies. The conclusion expressed in the paper is this: higher public costs, loss of accountability and an increasing democratic deficit of those reform strategies. A comprehensive UK evaluation report published recently published confirms those conclusions. My paper analyzes the socio-economic and historical background of the new management strategies and administrative reforms, with focus on the socio-economic problems of the United Kingdom.

Keywords: management strategies, arm’s length bodies, accountability, transaction cost.

Loss of accountability

1. Introduction of the four Ms’ strategies

This article is the story about the resign of the Anglo-Saxon administrative tradition and it has a learning aspect. Namely, the United Kingdom was a "vanguard state" in this tradition for experimentation with administrative reforms that came to be known as the New Public Management or just NPM strategies, aiming market orientation of the public sector. NPM is closely related to the ideology of neoliberalism. Neoliberalism is famously associated with the economic policies introduced by former Prime minister Margaret Thatcher in the



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United Kingdom and former President Ronald Reagan in the United States. The transition of consensus towards neoliberal policies and the acceptance of neoliberal economic theories in the 1970s are seen by some academics as the root of financialization, with the financial crisis of 2007–08 one of the ultimate results. Its advocates support extensive economic liberalization policies, such as privatization, fiscal austerity, deregulation, free trade, and reductions in government spending in order to enhance the role of the private sector in the economy. After three decades, what results has NPM and neoliberalism produced in the UK? Christopher Hood and Ruth Dixon (2015) address that question in a report: *A Government that Worked Better and Cost Less? Evaluating Three Decades of Reform and Change in UK Central Government*. The title points to the former Prime Minister Margaret Thatcher's promises in 1970s as part of her politics of neoliberalism. In short, the conclusions of the report is formulated as these: In the period, 1) the complaints about maladministration following NPM and judicial challenges to government neoliberal action increased markedly while, 2) administrative costs "rose substantially" in real terms. On the other hand, 3) trust in government did not collapse, as many critics of NPM feared but the overall accountability declined, 4) the administrative costs did take up a growing share of total public spending. The overall conclusion is this: 5) Government worked a bit worse and cost a bit more. Let us have a comparative look on the historical background of the UK administrative tradition and reform.

2. The Four Ms Analyzed

The UK's NPM reform of the sphere of production builds on a completely new world with new standards of efficiency, new high growth of sectors, new location patterns, new models for management and organizational principles. The Schumpeterian view (1979) is that the transition from one administrative-economic paradigm to the next entails equally profound transformations of the institutional and social framework (Amin (ed.) 1994). When elaborating the origin of the 'socio-institutional paradigm', we must be aware that the paradigm was design within the framework of the new administrative-economic paradigm of the regulatory state adhered to NPM. (Djelic and Anderson (eds.) 2006, Veggeland 2015).

Christopher Pollitt and Geert Bouckaert (2004) have made a very fruitful contribution to the conceptualization of the management side of the new socio-institutional paradigm of the NPM regulatory state that has arisen out of the hollowed-out Keynesian interventionist state model. The authors have identified at least four M-strategies as paradigmatic notions of Governments' choices of action when struggling and seeking solutions to the pressure of the crises in the Western economies, that is, caused by the 1970-80s stagflation crisis and later on the financial crisis (2004: 188):

- Maintain,
- Minimize,
- Marketize,
- Modernize.

2.1. Maintain

This governmental management strategy refers to the tightening-up of traditional controls. It is hardly part of the new socio-institutional paradigm, but rather the demand-side economics of the Keynesian state. The tactics include restricting expenditures, freezing new hiring, fighting waste and abundance and generally 'squeezing' the system of administration and legal regulation. Stabilizing inflation on a low level by management and measures related to effective demand was the goal and political economy of the maintaining strategy. This strategy became selective chosen by most Western countries, but mostly by the Continental countries, like Germany and its corporate administrative model. It is still a vital strategy adopted by the EU, which has even been strengthening after the financial and EURO-zone crisis coming up since 2007 (Veggeland 2007).

2.2. Minimize

According to Pollitt and Bouckaert (2004: 188), minimizing the administrative system by privatization was in political economic terms part of the new but path-dependent socio-institutional paradigm: handing over as many tasks as possible to the market sector directly through privatization and indirectly through contracting out, that is, outsourcing. This become the main strategy of the UK government for the late thirty years according to Hood and Dixon (2015). It is causing the 'hollowing-out' of the state apparatus. It represents a socio-institutional arrangement in which social security and public services of all kinds, such as social and health services, physical infrastructure and even military services are all heavily been reduced in volume.

Minimalist government of the UK type rejects the idea that Governments can be organized to act in the best interests of the economy and the public in general. In Schumpeter's world, public rulers are considering "able" because they win votes, not because they have governed or will to govern well in socio-economic sense

(Kuper 2004: 98). Policies for tax cuts and low interest rates targeting an increase in aggregated consumption and investment in the private sector (in accordance to classical Ricardo's principles of (always) reinvestment of surplus capital by then capitalists) accompanied the minimizing strategy. In sum, it represents the political economy of the strategy to minimize the public sector. Mostly the strategy got relevance to the strained Anglo-Saxon/UK model and administrative tradition studied by Hood and Dixon (Hood and Dixon 2015, Veggeland 2015, 2007). This strategy was not welcome at the time in the Nordic countries, because of those countries accepted universal welfare state administrative model.

2.3. Marketize

The marketizing of the public sector and its administrative system was a NPM-strategy for instituting as many Market-Type Mechanisms (MTMs) as possible within the framework of NPM. It implies a redefinition of the economic rules of public policy but also a transformed perspective on governments, regulation and their roles. Marketizing questions all forms of protective measures, rules and barriers, and consequently has an impact on social-institutional paradigms and legal policies (Djelic 2006).

These reforms of using New Public Management approach created the so-called PLAs, Public-Law Agencies, and the PLBs, Private-Law Bodies, which were steered indirectly by public and private laws, regulation, and financial means (OECD 2002). Seen in a democratic framework they are been named as 'unelected bodies' (Vibert 2007). These unelected bodies grew rapidly in numbers and coordination problems arose. Thus, Hood and Dixon write about the UK that (see introduction "the complaints about maladministration and judicial challenges to government action increased markedly while administrative costs "rose heavily in real terms". Political emphasis on the achievement of result from the unelected bodies through the means of flexible organizational structures and competition was evident. The approach follows the Schumpeter's idea that innovation only becomes beneficial through market competition in both the spheres of administrative-economics and social-institutional arenas; hence, public-sector organizations should likewise be made flexible and competitive. Besides, it would increase efficiency and user-responsiveness.

Like the minimizing strategy, the marketizing strategy is characterized by policies for tax cuts, low interest rates, privatization and institutional fragmentation that were supposed to effect an increase in the aggregated consume and investment, and thereby economic growth. The marketizing strategy turns out to be very typical for the regulatory state order - namely 'steering without rowing' meaning the withdrawal of government to only steering by objectives. With regard to political economy, extensively it attracted the UK and the Anglo-Saxon model and administrative tradition since the 1980s (Knill 2001, Veggeland 2007, Hood and Dixon 2015). The marketizing strategy also influenced heavily the Nordic universal welfare state model: public ownership but creating numerous PLAs, Public-Law Agencies, and PLBs, Private-Law Bodies. These agencies were steered indirectly by public and private laws, i.e. by regulation and financial means (OECD 2002).

2.4. Modernize

The modernization of the administrative system, still in accordance with Pollitt's and Bouchaert's thinking, in reference to its political economy, aimed to introduce faster, more flexible ways of budgeting, managing and delivering services to the user. The choice was made within the framework of the new socio-institutional paradigm, bound by the new techno-economic paradigm of the regulatory state. Arm's-length bodies were organized and set into motion as market actors or pseudo-market actors. It was predicated on both the distinctiveness of public provision, on 'services of general interest', to distinguish between 'non-commercial services' - in-house services - and 'commercial services' - marketized services - and the need to strengthen the state rather than to dilute the state.

But in order to reach the economic potential for growth in the Schumpeterian sense, innovation is necessary in both the techno-economic and the socio-institutional spheres, and innovation occurs when market actors compete. These new ways of operating were clearly borrowed from the market sector and meant the introduction of MTMs also into the public sector but selectively. Instead of being minimal, MTMs became dominant in public services, both in the welfare sector and in the sector of physical infrastructure. Contextually, however, the bureaucratic structures remained as mediators in Weberian sense, but they were partly changed into institutions and bodies serving the regulatory state; that is, new institutional innovations occurred (Black, Lodge and Thatcher 2005). We may call this new social and institutional paradigm a neo-Weberian order of bureaucracy. We may view the political economy of the modernizing strategy as a blended strategy of maintaining but with much emphasis on result-orientated management and of reducing and simplifying regulation with modest marketizing. It was a typical strategy for the strained Nordic model and administrative traditions (Iversen 2005, EPC Working Paper 2005, Veggeland 2007).

3. Conclusion

What we have learned is that countries' reforming experiences demonstrate that the same reforming strategies perform differently and produce very diverse results in contextual different social models and traditions (Knill 2001, Veggeland 2007). Accordingly, this variation in reforming experiences reflects the disparate institutional structures and environments that confront the reformers. A principal lesson to emerge from this review is that the establishment of a new social-institutional paradigm is contextually dependent (Røvik 2007). Reforming strategies ought to be studied in the framework of an individual country's context, needs and traditions. These differences are reflecting the social-institutional paradigm in which the reforms they are launched, in which nature of the problems that are faced, and what seems to be the most appropriate solution to be achieved.

The OECD report (2005: 22) has made this statement: "Other issues that depend on context include how countries deal with accountability, control in public management, the involvement of the private and community sector in service delivery, the use of Market-Type Mechanisms (MTM), and the line between the public and private domains".

In the period, the Hood and Dixon study (2015) found, related to UK and the Anglo-Saxon administrative tradition that the complaints about maladministration following NPM and judicial challenges to government action increased markedly and administrative costs "rose substantially" in real terms. The overall accountability declined and the administrative costs did take up a growing share of total public spending because of minimizing and marketizing management strategies.

No wonder. Because policies acquire legitimacy from functionality and effectiveness - that is, from the output or outcome of executives and from comparative competitive advantages of NPM. These competitive advantages did not occurred in the UK, and mistrust and rising administrative costs arose. Additionally, fragmentation of government made the democratic principles of openness, transparency and deliberation to decline (Eriksen and Fossum (eds.) 2000). Therefore, the UK Government worked a bit worse and cost a bit more. In other words, the NPM-reforms did not worked properly, and is now resigning (Hood and Dixon 2015).

Appendix A. Supplementary material

Supplementary data associated with this article can be found, in the online version, at <http://dx.doi.org/10.14254/2223-3822.2016.14-1.8>

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