

## Chapter 5

### The New Public

### Management goes global

The so called 'golden age' of the Keynesian State was turbulently interrupted by a series of economic shocks in the 1970s. An oil embargo led by OPEC (the Organization of Petroleum Exporting Countries) caused the world price of crude oil to soar. A combination of high inflation and rising unemployment ('stagflation') immediately ensued. Corporate profits quickly evaporated and stock prices plummeted. Meanwhile, many governments in the industrialized countries of the world stood by

helplessly. Confronted with mass unemployment and intense social despair, some 'enterprising' leaders saw great potential for growth in the financial services sector. Fuelled by new government initiatives aimed at deregulating financial markets and aided by technological breakthroughs in electronic trading and financial instruments, a new era of global financial-based capitalism (known as 'financialization') was born. Now free to move billions of dollars across the globe instantaneously, savvy investors wagered their fortunes in countries whose policies could ensure the highest returns in the shortest amount of time. As a result, modern governments were under intense pressure to 'rationalize' their tax systems and cut public spending in order to demonstrate their 'investment-worthiness'. In this process many public goods would be eviscerated in order to attract a new breed of voracious global investors.

Traditional administrative hierarchies were regarded as too rigid and inflexible to adapt to the dynamic political and economic forces that were unleashed in the global age. Senior level public administrators and public leaders across the world increasingly looked toward a new set of market-oriented strategies in the hope of bolstering bureaucracy efficiency and maximizing taxpayer dollars. Emphasizing private sector values such as 'timeliness', 'responsiveness', and 'cost savings', a new kind of 'managerialism', that would later become known as the New Public Management (NPM), began to take root in some of the world's leading public bureaucracies ([Box 6](#)).

## **Box 6 New Public Administration**

Though sharing a similar acronym with the NPM, the New Public Administration (NPA) was a very different kind of management paradigm that emerged during the 1960s. Placing 'public service' at the heart of its managerial credo, the NPA adopted a set of management principles that emphasized values of 'civic virtue' and 'citizen empowerment'. Associated with the pioneering work of Abraham Maslow and his colleagues in the school of 'humanistic psychology', NPA advocates believed that creating organizational conditions that contributed to the emotional and physical well-being of its employees was essential to administrative productivity. In the late 1960s, NPA scholar Dwight Waldo hosted a historic conference aimed at fostering a fresh and new dialogue governing the 'future' of public administration. In an effort to explore innovative approaches, Waldo invited a number of budding pioneers in the field to

participate. Railing against 'racial discrimination', 'social injustice', and 'inequality', the young and energetic attendees sought to reorient the field of public administration, away from the 'narrow' pursuit of administrative efficiency and towards 'democratic equality' and 'social justice'. The NPA, however, was not without its critics. A number of prominent figures in the mainstream academy of public administration voiced concerns that it was replacing 'scientifically-testable' management principles with 'soft' knowledge that stemmed from idealistic sentiments.

In a 2001 article entitled 'Public management reform and economic and social development' in the *OECD Budget Journal*, former Australian finance minister Michael Keating summarized the forces behind the NPM reforms that had been

attempted over the previous decade and a half in his country. These included: '1) the level of taxation, the budget deficit and/or public debt was too high, and could become even worse if no action were taken; 2) government programmes too often failed to achieve their objectives and/or were not cost effective so that they did not represent value for money; 3) the administrative machinery was not sufficiently responsive to the needs of clients including ministers themselves; and 4) government itself was part of the problem, having become too big and too intrusive.' While differing definitions and explanations have surfaced over the years, noted public administration scholar Donald Kettl has outlined six core characteristics that appear to be shared in the vast majority of literature related to the NPM: 'productivity, marketization, service orientation, decentralization, a policy orientation, and accountability for results'.

## PUBLIC ADMINISTRATION: A VERY SHORT IN

The first wave of NPM approaches surfaced in the political reform agendas under the conservative governments of England's Margaret Thatcher (1979–90), America's Ronald Reagan (1981–9), Australia's Malcolm Fraser (1975–83), and Canada's Brian Mulroney (1984–93). While prime minister Margaret Thatcher's government was one of the first to formally adopt NPM-based approaches in the late 1970s, a number of related principles were quickly adopted by governments across the globe operating at all levels. Some of the earliest NPM applications were observed in the municipal areas of Northern California where enduring recessionary conditions forced city leaders to find innovative ways to cut government expenditures. Governments in New Zealand and Australia would quickly follow with NPM-based administrative agendas of their own. Before long, by the mid-1980s, a majority of OECD countries

## RODUCTION (VERY SHORT INTRODUCTIONS)

would introduce NPM administrative practices into their public sector organizations as well.

Grounded in an emergent doctrine known as 'neoliberalism', the NPM venerates the self-regulating free market as a virtuous model for civil governance ([Box 7](#)). Accordingly, the NPM subordinates principles and processes associated with traditional public administration focused on 'equity' and 'fairness' to business-oriented principles which emphasize efficiency standards and productivity targets. This shift towards private sector 'managerialism' has compelled public sector agencies to apply (or in many cases misapply) principles from specifications-based stratagems such as total quality management (TQM), 'Lean Six Sigma', and 'Management by Objectives'. Under the managerialist logic, 'public servants' were converted into public sector 'service providers'

whose purposes had been reoriented around satisfying customers' needs.

## **Box 7 Neoliberalism**

The NPM is a governance paradigm that is sympathetic with a set of market-oriented principles that are rooted in a political-economic doctrine known as 'Neoliberalism'. Neoliberalism was first coined by a group of politically moderate economists and legal scholars affiliated with the 'Freiburg School' which emerged during the post-World War I period in Germany. The term was later used as a catchphrase to refer to a 'return to the market' campaign led by economists such as Nobel prize winners Milton Friedman and Friedrich von Hayek. Glorifying the virtues of individual self-interest, economic efficiency, and unbridled

competition, neoliberalism became associated with welfare state retrenchment and economic austerity. In the 1970s, a more extreme strand of this doctrine, known as neoliberalism, was adopted by oppressive dictators in Latin America, such as Chilean President Augusto Pinochet, as part of their stringent antisocialist campaigns. In the 1990s, however, the term was employed by leftist academics in their scathing critiques of the United States' policy initiatives aimed at spreading American-style 'cowboy capitalism' to the former Soviet bloc countries in Eastern Europe following the collapse of communism. Over the last three decades, neoliberal-based NPM programmes, emphasizing private sector efficiency measures and performance standards, have been undertaken by different political figures. Some of the best-known include: America's Ronald Reagan and Bill Clinton; Britain's Margaret Thatcher and Tony Blair;