

# Is New Public Management Really Dead?

by  
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*This article, originally presented as a keynote speech at the June 2009 meeting of the OECD Working Party of Senior Budget Officials, explores the state of new public management from the perspective of current political theory and presents relevant findings from a 2009 OECD comparative study, "Value for Money".*

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## 1. A paradigm shift

New public management (NPM) is related to the changing balance of power between economic theories since the 1980s. The economic doctrines of Keynes, which ruled after the Second World War, grew outdated in the 1980s. Keynes' economic theory could not explain stagflation, a combination of inflation and long-term unemployment. Consequently, the Keynes theory was attacked by three alternatives: monetarism, supply-side economics and public choice theories. The combination of these ideas is collectively known as neo-liberalism. Economic neo-liberalism is currently in deep trouble as a consequence of the worldwide financial crunch. After more than 30 years of ideological hegemony, neo-liberalism today seems powerless to explain developments in the real world. Does this also have an effect on the ideas of new public management, clearly an offspring of neo-liberalism?

Ideas about paradigms and paradigm shifts are based on the work of Thomas Kuhn. He makes a distinction between periods of normal science and revolutionary science. Reality can be observed through a new theoretical lens following a paradigm shift. However, according to Kuhn, an old paradigm will not disappear immediately.

Kuhn's theory was used by Peter Hall to examine and understand the change in economic policy making in the United Kingdom. When Margaret Thatcher came to power, the dominant ideas of Keynes were replaced by neo-liberalism. Hall elaborated on the theory of paradigm shifts and connected this with decision-making and policy-learning theories. According to Hall's theory, there are three possibilities for change: changes of the first, the second and the third order. A first-order change is very small: a marginal change. A second-order change is slightly bigger, but is still incremental. A third-order change is a general paradigm shift. Small changes are a consequence of technical learning by civil servants and specialists. A general change is a consequence of societal learning. A general or paradigmatic change is mostly the result of a crisis or anomaly.

## 2. Dunleavy's arguments

In 2005, Patrick Dunleavy, Professor of Political Science and Public Policy within the Government Department of the London School of Economics (LSE), published an article entitled "New Public Management is Dead – Long Live Digital-Era Governance" (Dunleavy *et al.*, 2005). As the title of this article suggests, Professor Dunleavy proposes that the organisational paradigm of new public management has become obsolete.

Professor Dunleavy is critical of new public management. Because there is new public management, there must have been "old" public management. The traditional theory of public management – without the term new – stated that politics is important for understanding how public organisations operate. Initially, public organisations were studied with the help of theories originally developed to explain the workings of the private sector, so there was not enough knowledge about the functioning of public organisations in a political context. Public management theory brought politics into the analysis.

New public management was a reaction to the traditional public administration theories. Because of financial and fiscal problems of the welfare state, we needed new

ideas to innovate public organisations. Based on the neo-liberal paradigm, different sets of ideas for public organisations were developed, which we called “new public management”. Public organisations were equated with private organisations. An entrepreneurial spirit was introduced into the public realm; however, the political dimension was left out.

In Dunleavy’s view, there are three important characteristics of NPM:

- disaggregation;
- competition;
- incentivisation.

An interesting part of his analysis concerns the assumption that links the change of a public management regime (new public management) to the level of autonomous citizen competence and the level of institutional and policy complexity in solving societal problems. Professor Dunleavy assumes a connection between NPM, growing societal complexity, declining trust in bureaucracy and the representative democracy. On the basis of his analysis, it is possible to provide a partial explanation for the rise of populist parties, on both the left and the right of the political spectrum, who are very critical of new public management, usually without being familiar with the term. The conclusion is that new public management leads to more complexity and, at the same time, does not solve societal problems. According to Dunleavy, the new alternative is digital era governance (DEG), which sets out some important ideas:

- reintegration;
- needs-based holism;
- digitisation changes.

### 3. Remarks concerning Dunleavy’s analysis

I’d like to make some remarks about Dunleavy’s analysis. First, new public management is an abstraction which suggests a unity of ideas. In practice, however, there is a great variety in implementation. This is explained by the characteristics of the various countries, distinctive political regimes and organisational and institutional cultures. Second, in my opinion, digital-era governance is an (integral) part of the NPM movement. Perhaps digital-era governance is growing more dominant within NPM and is breaking out of its cocoon. It could develop into a new avenue of thought. My third proposition is that the term DEG combines two modes of thinking. One is about technological developments and possibilities within public organisations as a consequence of the information and communication technology (ICT) revolution. The other is about governance. My fourth observation is that presenting just one competing (sub)paradigm to NPM is too rigid. Apart from digital-era governance, characterised, according to Dunleavy, by the aim to make more use of the newest technologies to improve the relations between the state and the citizens, there are four other avenues of thought at this moment breaking out of the NPM cocoon:

1. the new Weberian state which aims to restore the legitimacy of the state by placing more emphasis on non-economic values and societal problems;
2. the government-governance theory about vertical and horizontal steering within the so-called network society;
3. the “glocalisation” theory – the word refers to a combination of globalisation and localisation processes – which analyses the relations between the national state and international organisations on the one hand and regional and local organisations on the other;
4. theories about new combinations between the state, civil society and the market.

However, at this time, we are not sure if any of these avenues will eventually lead to a paradigm shift. So NPM is not really dead: parts of it are still very much alive.

#### 4. “Value for Money”, a comparative OECD study

Though the NPM paradigm is in trouble, it is still far too early to speak in terms of a third-order change, and keeping in mind the fact that a traditional paradigm never completely disappears. For instance, we do not know how long the financial crisis will last. As we have seen, there are some alternative theories, but at this time, they do not have enough power to bring about a serious breakthrough.

Societal learning will not be achieved, but there is and will be a form of technical learning by civil servants and specialists from the fields of economics, public administration and political science. The evidence for this can be found in “Value for Money” (originally called “Efficiency I”), the comparative OECD study carried out at the request of the Dutch government.

The Dutch government requested the Value for Money study because the coalition which came to power in 2007 wanted to reduce the overall size of the government bureaucracy. The formal reason for the study is that the Dutch government is interested in an international comparison of public service employment. The unspoken goal seems to be to gather as many facts and figures about the Dutch bureaucracy as possible in order to counter the sharp ideological assault on that bureaucracy.

Value for Money is a comparative study. The research has been carried out in eight different countries: Australia, Canada, Denmark, Finland, Ireland, New Zealand, Sweden and the United Kingdom. These countries are thought to be broadly comparable to the Netherlands and have been at the forefront of public governance reform in the past. The study comprises two parts: a quantitative part and a qualitative part. My first conclusion is that it is very difficult to compare all these countries. As the report itself states:

It should be recognised that in spite of similarities, the differences between the central governments in the sample countries are vast. They are the result of long historical developments. In addition, the countries are diverse in geographical circumstances and national resources, which have given rise to a wide variety of public policies and governance structures. (OECD, 2010, p. 22)

The second conclusion is that a lot of information is not available.

#### 5. Specific conclusions about the Netherlands arising from the Value for Money study

Overall government employment and central government employment are relatively small in the Netherlands, both in terms of the population being served and as a share of domestic employment. Excluding the health and education sectors, it appears that the Nordic countries still have the largest overall government organisations, followed by the Netherlands. However, excluding health and education, the Netherlands has the largest central government employment, largely due to the high centralisation rate in the Netherlands: 42% of Dutch overall government employment is in central government.

In the last few years, though, some governments realised that not everything about NPM had worked out as intended, as staff levels had increased in all task areas, especially in the area of support services. In addition, there were many problems with output steering and control. This led to another change of direction and to a more pragmatic approach involving recentralisation of ministerial support services, *ad hoc* downsizing operations, shared services schemes and a more intelligent steering of independent agencies, which resisted a centralisation movement of the central state.

In Value for Money, there are some examples of first- and second-order changes, for example:

- more careful planning of output and outcome steering;
- permanent deliberation on performance targets;
- more transparency on input use by agencies.

In theory and practice, learning processes are taking place. They are stimulated by comparative studies, symposia and benchmarking. The learning process is speeding up as a consequence of political incidents or crises such as the financial crunch, which leads to serious reflections about the inner and deeper core of the existing ideas within politics, bureaucracy and society. However, crises are part of the market economy, and capitalism has proved to be very resilient through time.

## 6. Conclusions

New public management is in trouble, but it is not really dead. There are some new avenues of thought. However, none of these new approaches is strong enough to be the paradigmatic alternative. Civil servants will stick to first- and second-order changes. Within the system, they will try to optimise the performance of public organisations. Value for Money proves that Dutch civil servants are implementing modest changes.

Finally, I want to restate a crucial part of the analysis Dunleavy made. In his model of reasoning, there are four variables: the regime of ideas (NPM), the complexity, the citizens and the solution of societal problems. His thesis is that the regime of new public management leads to a growing complexity without solving societal problems. The central theme in NPM has been efficiency, more than effectiveness. To restore the legitimacy of the state, we need to think about changes in government and bureaucracy in relation to serious long-term societal problems and the day-to-day problems of citizens.

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