THE STATE OF THE NEW PUBLIC MANAGEMENT IN A GLOBALISING WORLD

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This paper provides an overview of the New Public Management discussions characteristic of both the developed and the developing worlds. It argues that the New Public Management is neither new, nor public, nor even about management. Rather, there are overtones about government that are all too reminiscent of mercantilist thinking. The real and not too subtly concealed agenda is simply to diminish the role of government and replace public management by the private sector and the market place. This is taking place in a dangerous verbal environment where labels and slogans are enlarging the gap with reality. The commonplace words – globalisation, competition, bigness, privatisation, deregulation and alternative service delivery – are powerful words when presented with an unquestioning aura of the road to the promised land. The paper takes on the responsibility to peel back the veneer and examine in depth the extent to which these terms do, or do not serve the public interest.

In this paper I shall endeavour to provide an overview of the New Public Management discussions characteristic of both the developed and the developing worlds. During my service in the government of Ontario as a Deputy Minister (Permanent Secretary), I once had a Minister who possessed a great capacity for word invention. I still recall fondly the occasion when he said that he was not trying to be “provokial”, which I took to be an amalgam of provincial, parochial and provocative. I intend to be “provokial” today because I believe that the debate about the private and public sectors, the market economy and democracy and the role of a government is grossly over-simplified and, thereby, extremely dangerous as a playground for neo-conservative ideologies.

Like the Holly Roman Empire, I suggest that the New Public Management is neither new, nor public, nor even about management. Rather, there are overtones about government that are all too reminiscent of mercantilist thinking, reinforced by an over-simplification of the “invisible hand” described in Adam Smith’s

The Wealth of Nations. The real and not too subtly concealed agenda is simply to diminish the role of government and replace public management by the private sector and the market place. This is taking place in a dangerous verbal environment where labels and slogans are enlarging the gap with reality. The commonplace words – globalisation, competition, bigness, privatisation, deregulation and alternative

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service delivery – are powerful words when presented with an unquestioning aura of the road to the promised land. Members of the media focus on these words until not only members of the public but even policymakers regard them as unquestionably good.

My purpose today is to challenge that mentality and to suggest that we, as academics or practitioners of public administration, have a responsibility to peel back the veneer and examine in depth the extent to which these terms do, or do not serve the public interest. The New Public Management is a school of political thought that has the potential to redefine the role of government in relation to the citizenry. “The promoters of these reforms propose to reduce the size of the state, eliminate the deficit, balance public expenditures, remove red tape, clear away obstacles to effective management and focus the attention of public administration on client satisfaction”.

Taken individually, these may be worthy objectives; they have certainly contributed to the electoral success of a number of political parties. However, too little attention has been paid to the following questions:

1. Are the techniques capable of delivering the advantages that the terminology implies?
2. What are the consequences for the citizenry and the public good?
3. What assurance do we have of transparency and accountability to the degree to which we are entitled to expect today?

THE ALLEGED ADVANTAGES OF PRIVATISATION

Everyone can agree that we want government to be as efficient as possible and to be “run like a business” where operations are concerned. Since, in the minds of the neo-conservatives, that is considered to be impossible, then it is surely preferable to privatise. However, this mistaken conclusion stop short of asking: what guarantee is there that privatisation will necessarily result in improved service delivery? In the first place, the forces of competition that are presumed to result in greater efficiency (at least for the survivors of competition) may not exist. In fact, the results may simply be the replacement of a public with a corporate monopoly. The existence of a series of regional monopolies, with no coordination, which followed the privatisation of British Rail has only resulted in higher costs, less reliable public service and reduced standard of service.

Where competition is expected to occur, once again the result is not a guarantee of lower prices. In fact, in announcing the timetable for the opening of hydro-electric power to competition in Ontario, Canada, which took place on 1 May 2002, the Minister of Energy in the Ontario Government warned that the result might well be higher prices. Indeed, it was, with the government then resorting to a price freeze. Ontario Hydro had been providing consumers with power at cost since 1906. Consequently, even if the cost will be lower, profits must be even greater. As a result, whose inter-

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ests have been served? Apparently not the consumers and citizens.

The problem is that the proponents of privatisation always compare government at its worst with the private sector at its best but what guarantee is there that the privatised function will have the characteristics of the best of the private sector? After all, the whole basis of the market system is about survival of the fittest; there will be winners and losers. However, if you privatise a hospital or a jail and they become losers, then what will protect the public interest? The most likely result will be for the government to shore up the operation, with public funds being turned over to private hands. The concept of privatisation, then, depends upon heroic assumptions about the certainty of success.

In Canada, we have witnessed a recent debate about productivity and management. Following such a prolonged economic boom, the question is being asked: why is Canada not more affluent? In an intense examination of the question by Professors Michael Porter and Roger Martin, they point the finger of blame squarely on Canadian management. In their words: “Canada ranks low in terms of company operations and strategy” resulting in weak productivity and international competitiveness, even after all the lofty benefits expected to accompany North American free trade. In such a climate, by what logic should privatisation bring about improvements in productivity and efficiency in education, health services, the generation of power or any other area of public service? As an aside, it should be noted that the well-known compassionate nature of Canadians has scaled new heights where corporate incompetence is concerned; executive compensation in the past year is at an all-time high.

**THE CITIZENRY AND THE PUBLIC GOOD**

In the case of jails, the discordance between public responsibility and corporate behaviour is, to say the least, disconcerting. In awarding a contract to an American company – Management and Training Corporation – to run a new super-jail, built in Penetanguishene, Ontario at a cost of Can.$87 million, the Government of Ontario has suggested that this will reduce the inmate cost per day by nearly 50%. However, I am not aware of any expenditure breakdown or comparative cost study as to how that would be achieved: by employing cheap non-union labour, by consolidating facilities and reducing remedial services, by tighter incarceration standards and reduced security? Whatever the answer to those questions, the problem of reconciling public values and corporate interests remains. When was the last time you heard of a new C.E.O. taking office without proclaiming, with exaggerated gestures: “Our primary objective will be to increase shareholder value and to grow this business in record-setting fashion”. This latest technology—grow the business—evokes the image of some demonic scientist producing a cancer-like scourge on the environment. Indeed, the imagery in this case is not far-fetched. To grow that business requires ever-increasing supplies of criminals, preferably long-term sentences and not just enlarged war on drugs but an intensive battle against every social ill—real
or imagined—and major additions to police budgets. Surely that would be a back-door approach to the making of public policy and if this appears to be an exaggeration, I invite you to note how privatisation in the United States has indeed turned the prison system into a growth industry worthy of Fortune 500.

However, privatisation is not alone in my cast of villains. Another part of the New Public Management mythology has to do with the simple reduction of personnel through consolidation of services, best illustrated in the case of local government. This is part of the “bigger is better” theory of government, notwithstanding the inherent contradiction with the down-sizing of government overall. Dr Andrew Sancton of the University of Western Ontario, Canada, in his recently published Municipal Merger Mania: The Consequences and Historical Context, indicates that the policy of municipal amalgamation is cutting-edge, but in mid-nineteenth century terms he provides startling evidence that the amalgamations of the 1960’s and 1970’s in Ontario, Manitoba, Quebec and the United Kingdom were not accompanied by positive results. In fact, he could find no worthy evidence that mergers have achieved significant reductions in costs. Indeed, according to Madelaine Drohan, writing in The Globe & Mail on 28 March 2001: “In virtually every case the projected costs of the amalgamations have proved wildly optimistic. In Halifax, which is the worst example, restructuring costs will end up being four times higher than the initial estimate of Can.$9.8 million. Hamilton and Ottawa are both going after the provincial government after they too have experienced higher costs than provincial bodies originally envisaged”.

If the disciples of amalgamation then try to argue that the final results will make it worthwhile, with shiny new local governments in place, they will run head first into Professor Robert Bish in a recent paper published by the C.D. Howe Institute (not a left leaning organisation) called the Local Government Amalgamations: Discredited Nineteenth Century Ideals are Alive in the Twenty-First, supporting his case by evidence going back over fifty years. Certainly economies of scale are to be found in certain services such as solid waste removal. However, others actually cost more when delivered over a wider area. Police services in such a case. Professor Bish’s research suggests that nearly 80 per cent of municipal services are to be found in the second category with only 20 per cent likely to produce economies of scale.

Actually, it would appear that democracy and its merits are down-sized in the process. Smaller local government councils will be more responsible to their citizens and of less value to interest groups. They also know that increased service costs translates into increased taxes. Consequently, Professor Bish argues that with a number of small municipalities in metropolitan areas governance costs are lower than under amalgamation. As a dividend, citizens have readier access to their councillors. When he was Governor of California in the 1970’s, Ronald Regan rejected the concept of municipal amalgamation. In the City of Toronto today we are learning that his judgement was correct. How curious that, although Mr Reagan was one of
the father figures for the Ontario Government, it chose not to follow his example.

WHITHER TRANSPARENCY AND ACCOUNTABILITY?

While privatisation continues its siren song, when deregulation marches firmly ahead, as new forms of arm’s length delivery systems for public services exercise their seductive appeal (such as their soothing term public-private participation), who is reminding us that we actually expect higher levels of accountability and transparency today? Dr Maria Barrados, Chair of the Public Service Commission in Canada, is one such person as is evident in her paper presented in Bologna in June 2000 entitled: “Involving Others in Governing and Safeguarding the Public Interest”. This will require an enlightened and systematic approach to ensure adequate protection of the public interest.

It would appear, that we have a long way to travel in these newer forms of “public management”. Nor is it very reassuring that we have yet to plug the holes in our existing arm’s length agencies – the Crown Corporations – according to the 10th Annual Report of Canada’s Auditor General – released on 6 February 2001. There are 41 Crown Corporations (not counting subsidiaries) at the federal level with such varied responsibilities as those of Atomic Energy of Canada, the CBC, the Export Development Corporation, Via Rail. Together these public bodies manage Can.$68 billion in assets and Can.$61 billion in liabilities, while receiving government grants of Can.$3.8 billion a year. The Auditor General reported that “half of the audit committees we examined were considered ineffective or only marginally effective" There were three audit committees with at least one member who was not financially literateÖTwo audit committees had no members with any accounting or financial management expertise.” As well, half of the Crown Corporations surveyed by the Auditor-General“ saw the Minister rarely, if ever, even when they requested a meeting and even when there were long-standing unresolved issues.”

WHERE ARE WE HEADED?

As I suggested earlier, the labels and slogans seem to have too many policy-makers in an iron grip without digging beneath the generality. In the first place, we must cast asunder the misty-eyed view of the private sector as a potential salvation army to rescue us all from the shortcomings of the public sector. In the second place, we must reassert the policy-makers responsibility to determine what objectives are most appropriate for the citizenry.

It is all too easy to find a solution for an apparent problem without first determining what problem exists and whether the solution is an unmixed blessing. A classic case is the debate in Canada regarding the brain-drain and tax cuts. There has never been any doubt that a substantial number of talented and well-prepared Canadians migrate to the United States; they always have and they always will (where would California be without us?) but some surveys were finally conducted indicating that the level of taxation was not the principal reason. Rather, opportunity was often greater in a country with a GNP some ten times that of Canada. Yet, some provincial governments were determined to use
tax cuts not only to plug the drain but also to bring other heretofore unimagined benefits to the citizenry in terms of renewed economic growth.

Unfortunately, there is no reference to social cost, nor to its impact on the justification for the tax cuts in the first place: the stimulation of the economy. That is because someone forgot to ask: what accounts for economic development in the first place? We are all familiar with classical economic theory and more recent preoccupation with cheap land and low taxes. Now, educated and skilled people are the raw material – thus argues Professor Richard Florida of Carnegie-Mellon University, USA. We are in the process of shifting “from a corporate-dominated economy to a people-driven economy because talent and brainpower are the critical factors of production.” As a result, place becomes “the fundamental organising characteristic of the new system, replacing the firm. Place provides a labour pool for companies and a thick labour market for people, replacing firms which previously structured peoples’ careers, labour market and life choices.” In the process, quality of life becomes a dominant force driving entrepreneurship, business enhancement and economic development and a measure of the quality of life is what I refer to in the E. H.E. Index: education, health and the environment.

In today’s world – incidentally in the developing as well as the developed world – this index should be the preoccupation of any government. Investing in a quality education system, providing for a healthy (and productive) population and creating a sustainable environment should be the priority, not downsizing of government, privatising vital services and lower taxes. In the United States, the places attracting talented people are also the places with some of the highest tax levels in that country. People do not object to paying for such services provided they receive value for money. Adam Smith distinguished economic goods (created by people) from free goods (air and water). Today, no goods are free; clean water, non-toxic air, elimination of traffic gridlocks, reduction of garbage, the preservation of land particularly where environmentally sensitive, all require major leadership from governments. Incidentally, just as with health and education, all of these needs create employment and contribute to the gross national product. We do need to broaden the definition of the GNP, while taking away some of the grossness. Educational delivery systems, the new health technology and water purification plants are as much a part of GNP as iron and steel and their slag-heap monuments.

I commend your attention and the attention of neo-conservatives, to a recently published book The Efficient Society: Why Canada is as close to Utopia as it Gets by a University of Montreal Philosophy Professor, Joseph Heath. Since Canada is not the richest country per capita and most European countries have achieved more equitable distribution of income, why does the United National Human Development Index rate us, year after year, as the best place in the world to live? Heath’s answer is that we may be the most efficient – in terms that challenge both the right and the left. He believes that the left’s willing-
ness to tolerate inefficiency in return for an increase in equality, which only government intervention can provide, and the right’s fear that state intervention will kill the free market goose it believes lays only golden eggs reflect a shared misconception that state intervention is inherently inefficient. “Far from serving as a drag on the economy, the state makes a huge contribution to (its) efficiency...by providing the background conditions needed for a flourishing marketÔand by providing goods and services not available in the private market.” To which he added: “The state lays just as many golden eggs as the market.”

The conclusion to be drawn, I believe, takes me back to my opening comments. The reform of government and the NPM must not be viewed as an end in itself, nor as a strategic plan for an economic and social revolution. Step-by-step and case-by-case consideration of what works best will save us from continuing the sterile fight to a finish between welfare statism and capitalism. I hope that, during our meetings over the next two weeks, as well as in your own public management duties, these considerations will be pre- eminent.