Public Policy and Management: Perspectives and Issues

Unit 1   The State, Public Policy and Management

Contents

Unit Overview

The purpose of this first unit is to introduce you to what is meant by public policy, and the contexts within which it is found: government and the State.

Learning outcomes

When you have completed this unit and its readings, you will be able to:

- define public policy and the different ways in which the term is used
- define the idea of government, and how it relates to, but differs from the State
- describe the structure of the State and the differences between the public, private and third sectors
- begin to classify States according to their functions, funding, reform efforts and how they manage the relationships between governments and society.

📖 Reading for Unit 1

Rod Hague, Martin Harrop & John McCormick (2016) Chapter 1 'Key concepts'. *Comparative Government and Politics: An Introduction*. 10th Edition. London: Palgrave. pp. 1–17.

World Bank (1997) Chapter 1 'The evolving role of the state'. *World Development Report 1997*. Washington DC: World Bank. pp. 19–28.

Stewart Ranson & John Stewart (1994) Chapter 2 'Towards a theory of public management'. *Management for the Public Domain*. Basingstoke UK: Macmillan. pp. 25–50.

1.1 Introduction

This module is an introduction to the State[1] and how it is managed in different situations. The whole module is self-contained, in that completing it will provide you with an overview of the key issues for the management of public policy, but it also serves as an introduction to the range of more detailed problems, solutions, history and possibilities involved in managing public policy, many of which are covered by other modules available from CeFiMS. Throughout the module therefore you will find references to other modules, as well as wider reading which goes into more depth. The bulk of this module focuses on the 'machinery' of public policy and management: the institutions, tools, methods and processes which governments mobilise in this arena, and with which many other actors are involved. It forms a companion piece to *Public Policy and Strategy*, which looks at larger scale, strategic and conceptual issues in public policy.

In later units of this module, we look at public policy and management from different points of view, including

- the institutions which have been created to manage States
- the ways in which decisions are taken, by whom, and what influences them
- the tools available to governments to achieve their goals, and
- how public policies are translated into actions.

The module includes theoretical perspectives on public policy, as well as comparisons between approaches adopted at different times and in different places.

It would be tempting to plunge straight in to these issues, but at this starting point we should take a moment to be clear about what we mean by some of the terms we will be using – particularly where these may not be as straightforward as they appear at first sight.

Let us begin with 'public policy'.

✎ Exercise 1.1

Since you are studying a module of public policy, is seems reasonable to assume that you have some understanding of what is meant by the term.

Without reading further, write down now a short definition of 'public policy'.

- What does the term mean to you?
- What is policy, and what makes it public?

Put the definition to one side, and move through the rest of the chapter. We will return to it at the end of the unit …

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[1]   Although, strictly, state is a simple noun, given its central importance for the study of public policy we will capitalise the term throughout this module for reasons of emphasis thus: the State.

1.2 Public Policy, Government and the State

The term 'public' policy is used in situations where we are dealing with the intentions and actions of those with some form of political power and responsibility. All sorts of institutions can have policies – a private commercial corporation may have a policy to guide its treatment of its employees for example: '*We seek to be a good, responsible employer who look after our staff*', with this laudable goal put into action by specific measures to set wage levels better than the sector average and provide workers with health insurance.

Public policy by contrast falls within the domain of those acting (or claiming to act) on behalf of society, in other words, government:

> A government consists of institutions responsible for making collective decisions for society. More narrowly, government refers to the top political level within such institution.
>
> <div align="right">(Hague & Harrop, 2013: 4)</div>

In this module we will be making a lot of use of Hague, Harrop and McCormick's classic *Comparative Government and Politics*. Here is what they have to say about policy:

> What, then, is a policy? The concept is difficult to define precisely but, as a plan of action, a policy covers both an aim (say, to discourage obesity) and a series of decisions, past or future, designed to achieve the objective (e.g. reducing advertising of fast food). Policy can also take the form of explicit non-decisions: "our policy is that nutritional choices should be left to the individual".
>
> A policy is broader than a decision. It denotes an intention to make future decisions in accordance with an overall objective. At a minimum, a policy covers a bundle of decisions.
>
> In understanding the policy process, it is important to avoid imposing rationality on a process that is often driven by political considerations, at least in high-profile sectors. Three points are noteworthy here:
>
> - Public policies can be contradictory. Governments can subsidise tobacco growers while simultaneously running anti-smoking campaigns.
> - Policies can be nothing more than window-dressing – an attempt to be seen to be doing something, but without any realistic expectation that the notional objective will be achieved.
> - A policy statement may be a cover for acting in the opposite way. Leaders of low income countries may dutifully inform international agencies of their support for a market economy, while simultaneously bringing major corporations under their political control.
>
> In short, public policy is a part of, as much as an output of, politics. Policy and politics, we should remember, are words with the same root.
>
> <div align="right">(Hague & Harrop, 2013: 342)</div>

By *public policy*, then, we are not only considering the intentions (overt and covert) of a government, but also the processes by which these will be put into effect, and the constraints on action. Policy typically also has an element

of belief or values: a government's policies will have a dimension based on a view of world and how it should, or could, be.

So public policy is the responsibility of government, and can be seen to contain three components:

- intentions
- processes and institutions intended to realise those intentions
- underpinning beliefs or attitudes.

This does not mean that public policy is just about government itself, particularly when we think of government as being 'the top level' of an institution, or indeed the government of a county or State. A clear distinction needs to be drawn between the permanent institutions of government, and those who are occupying defined positions within them at any particular time. In liberal democracies there will typically be a complex government framework of institutions with defined roles and powers, combined with a system of elections that periodically choose a set of representatives to decide on the direction and content of public policy, which will then be put into effect by others.

The government system will include checks and balances intended to prevent those in power from simply looking after their own interests, staying in power for as long as they like, or taking decisions which do not meet with the approval of most people. These include the election process itself (most liberal democracies stipulate that elections must take place somewhere around every five years); the division of powers between different institutions, such as between

- *legislatures*, which pass laws
- *executives*, which are responsible for day to day delivery of policy
- *legal systems*, which can be used to challenge or overturn government decisions that fall outside the existing law.

We need to realise therefore that whilst deciding public policy may primarily be job of the elected government, a much wider set of institutions and players will be involved at all stages. Nor will this be limited to the government framework. The table below gives some examples of what we mean here:

Element of policy	Who may be involved?
Intention: what it is that is supposed to be achieved	- Government ministers - Elected representatives - Officials in ministries expected to deliver, e.g. to give advice on previous experiences in this area - Companies or citizens likely to be affected in some way by the decision ('stakeholders')
Delivery processes and institutions: how the intention will be realised	- Ministries expected to deliver, for example to advise on practical issues which may help or hinder - Other state agencies with a role to play, such as the police or local authorities - Consultants with experience of the policy area

	▪ Private companies or non-profit organisations seeking to win contracts to deliver goods or services for the government
Beliefs and attitudes: the philosophical principles that guide the intention, and may also influence how it will be put into effect	▪ Political supporters and opponents of the government ▪ Media commentators ▪ Legal bodies charged with maintaining the principles set out in law ▪ Public opinion

So public policy originates with, but is not confined to, government. Let's have a look now at what we mean by government, and in particular, the government of States (other government levels will come up later).

📖 **Reading 1.1**

Read the first chapter of Hague *et al*, called 'Key concepts' (pp. 1–17). Although you are likely to be familiar with many of the terms they use, by starting with some of the basic notions about government, politics and the State we can begin to see how to make sense of the specific field of public policy.

Notice the progression in their discussion:

- *Politics*, the taking and enforcing of collective decisions, takes place within a *political system*, organised to frame and control politics, with the activity of making and implementing collective decisions termed *Governance*. This fits rather well with our three way division of public policy into intention, process and beliefs.
- They then discuss different types of *Government,* and in particular their role in organising the functions and activities of the *State*, *'the dominant principle of political organisation on the world's landmass'* (p.12)
- And distinguish between different types of '*regime*' (we will be looking at the relationship between regime type and approaches to public policy in Unit 2)

✍ As you read the chapter, note the extent to which the descriptions and definitions provided map on to your experience of your own country or others that you have visited.

Emerging from our discussion so far is the central importance of the idea of the State as a way to organise our thinking. We have identified that public policy is about collective decision making and implementation, but that it involves a variety of different actors. And we have recognised that government, despite its central role in policy, is not the sole player, and is itself a complex set of institutions and responsibilities operating at different levels within (and beyond) countries. This is where the idea of the State comes to the rescue. Hague and Harrop provide us with a good definition of the State:

> … a political community formed by a territorial population subject to one government.

(Hague & Harrop, 2013: 13)

This enables us to envisage a concrete setting where all this takes place: a physical location (territory), where people live and institutions exists, overseen by a government.

The most obvious organised 'political communities' are Nation States, which we all recognise and are characterised by things like membership of the United Nations, possession of a flag, an anthem, and a governmental system which exercises power both over and on behalf of its citizens. You will have noticed in your reading that 'nation' is a somewhat slippery concept, as is 'country', so we are going to stick with the State for now.

One thing which may strike you in your reflections on this is that there is a lot more to a State than its system of government. As geo-political entities, States are clearly a key feature of how the world is organised, but they are not only about politics and public actions. Within States people live their lives, set up home and raise children; businesses make and sell products; sports teams compete with each other. For much of the time, public policy may not seem that relevant to people's everyday lives, and in some (but by no means all) States the number of voters bothering to turn out tells us something about citizens' belief – or lack of it – in the relationship between themselves and the elected government.

However, the State does influence citizens' lives profoundly, from the provision of some form of police force; to the levying of taxes on people and businesses; the insistence that children are educated in registered schools, many of which it provides; and making sure food in the shops is safe to eat.

These sorts of functions are what constitute public policy within a State, and public management as the process of putting it into practice. This module would not exist if there was not a huge variety in the ways public policy and management work across the globe. So how do we make sense of this diversity?

1.3 Understanding the Variability of States

1.3.1 Modelling the State

If we look around the world we see that there is a wide variety of States. In northern Europe, and especially in the Netherlands and Scandinavia, we see States that are part of almost every aspect of life and which use more than half of national resources either in providing services or in transferring resources from one part of the population to another. In Africa, especially those states south of the Sahara, we see states that normally absorb much less that 20% of national resources and that make rather little impact on the lives of the great majority of their people.

We see States where the same laws and the same public services prevail everywhere more or less uniformly and others where sub-national government is such an important part of life that different laws and policies apply and even different languages are spoken in different parts of the country within the same state.

A journey around the world would bring us to countries where most of the population lives in fear and loathing of their government and others where the government and the State have the people's wholehearted support. We

would come across places where the norm is for government officials to demand or accept bribes; indeed, we would have to pay them to get in and out of their countries. We might also find places where bribery is unknown and where attempts to bribe would be met with arrest.

Given these big differences, how can we arrive at an understanding of States that can satisfactorily contain Myanmar and Finland or China and Liechtenstein?

In much of the writing on this subject, the 'public' domain is contrasted with the 'private'. You will frequently encounter the terms 'public sector' and 'private sector' to separate government from commercial business, public policy from the market. In this way of thinking, although the public varies significantly in shape and influence, the public domain can still be satisfactorily identified. This then raises the question of what else exists within the State, and what is its relationship to the public? Is it as simple as government and markets? The answer clearly is *no*, for two main reasons. Firstly, where do citizens and communities fit into the picture? And are the public, private and community sectors really that distinct?

We discuss citizens first. Governments are concerned in many different ways with the everyday lives of people, both their own citizens, resident non-citizens, and visitors. People are of course not simply passive recipients of services. They may (or, as we noted) may not vote. They organise for themselves a rich array of social interactions with each other, each of which will interface with an aspect of the State in some form. In Britain, a local gardening society meeting in a village hall will have to conform to the health and safety legislation which applies to the hall, and if registered as a charity is obliged to file audited accounts to an official regulatory body. It will use the policies about tax for charities enacted by the government to recover the tax it has paid on buying tools for the use of its members.

In the United States citizens have taken to the streets of all too many cities to protest at the treatment of African Americans at the hands of the State's ultimate domestic force: the police. Politicians both national and local have been obliged to take clear positions on the issue, and the State has become multiply engaged through inquiries, law suits, policy initiatives and lobbying in favour of higher area regeneration spending to tackle underlying economic, social and historical influences. Little of this has much to do with the market directly; it is about the relationship between citizens and the coercive arm of the State. But even here the market is present:

- in the law firms acting for different parties
- in the ways in which the structure of US capitalism distributes wealth and influence amongst different groups
- in the decisions by employment-creating companies as to where to locate themselves.

And the ways in which money generated from illegal activity amongst some citizens gets 'laundered' into the 'official' economy.

In other spheres the market predominates, although as you might expect by now, citizens and community issues come into play as well. In many South and South East Asian States, such as Bangladesh or the Philippines, Government policy has strongly encouraged inward investment by foreign companies to set up manufacturing facilities. Market transactions generate the profitability of companies, and people are provided with paid employment, but all in a policy context established by government. Many would argue that all too often the scales are weighted firmly on the side of large companies, with lax regulatory regimes and poor oversight of the interests of citizens by government agencies. In Bangladesh, a nascent Trade Union movement hoping to protect worker's rights has received little practical support from government.

All this reinforces the point that the three elements of public policy – intention, process and beliefs – all interact with and are to a large extent shaped by institutions and people 'outside' the public domain. We need therefore a way to frame the State in a way which takes account of the diversity of the 'non-public' domain, and the many ways in which it interacts with the State.

The following diagram is based on work originating with Hungarian economist Karl Polanyi, adapted by researchers in 2004 to construct a three-way model of social and economic relationships within which institutions and actions can be placed. The following text is from *Defining the third sector in Europe* by Adlabert Evers and Jean-Louis Laville, with their original diagram modified for use in the mid 2010s:

Figure 1.1   Model of the Modern Plural State
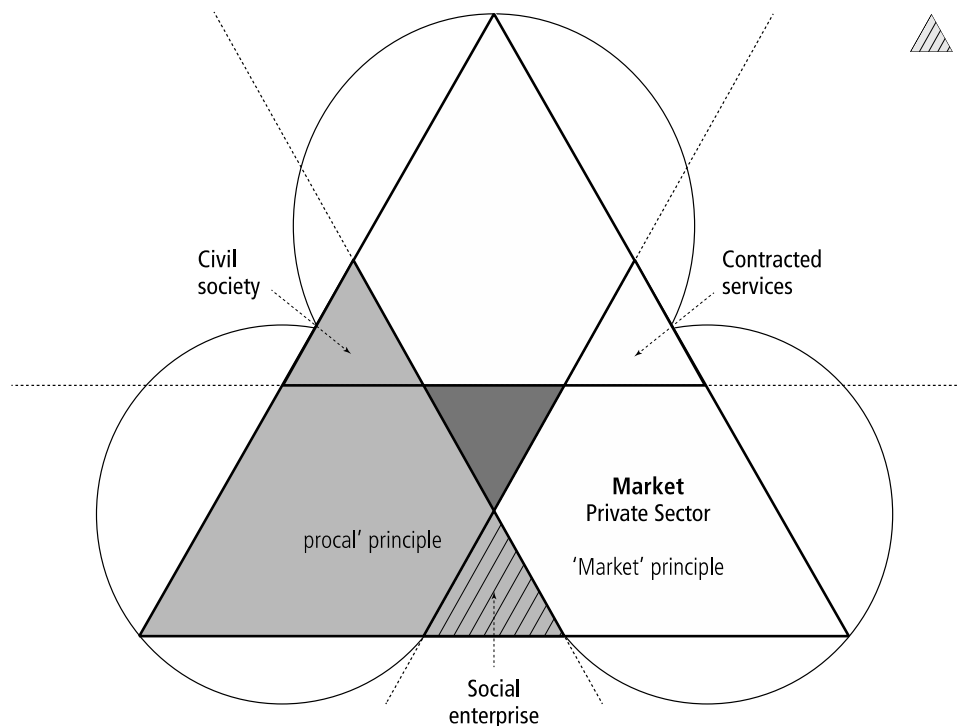
Source: based on Evers & Levine (2004)

This is based on the substantive approach of Polanyi's economic theory (Polanyi, 1944), which distinguishes three economic principles, the market principle, redistribution and reciprocity.

- *The market principle* allows for a convergence between the supply and demand for goods and services exchanged through price setting. The relation between the supplier and the customer is a contractual one. The market principle does not imply its immersion in social relations, 'which are now considered by western cultures as being distinct from economic institutions' (Maucourant *et al.*, 1988). It is not necessarily embedded in the social system, contrary to the other economic elements as described below.

- *Redistribution* is the principle on the basis of which the results of production are handed over to a central authority responsible for managing it. This involves implementing a procedure to define payment rules and targets. A relationship is established over time between the central authority that imposes an obligation and the agents that are subject to it. 'Cash benefits' can be distinguished from 'benefits in kind' as two different forms of redistribution. Sometimes this redistribution can be private, when the institution which is responsible is private, such as an organization whose directors have the power to take a percentage of the profits for corporate sponsorship or donations, for example, by means of private foundations. But the redistribution is above all a public matter: around the welfare state a modern form of redistribution has grown up, sustained by compulsory rules and used for paying benefits according to social rights.

- *Reciprocity* is the circulation of goods and services between groups and individuals that can only take shape when all participating parties are willing to establish a social relationship. So reciprocity is an original non-contractual principle of economic action in which the social link is more important than the goods exchanged. The reciprocity cycle is based on a gift calling for a counter-gift through which the groups or persons who received the first gift exercise their right to give back or not. There is an incentive for recipients to give back but they are not compelled to do so by outside forces; the decision is theirs. As a result, gift is not synonymous with altruism and free products or services; it is a complex mix of selflessness and self-interest. The reciprocity cycle is opposed to market exchange because it is inseparable from human relations that express the desire for recognition and power, and it is different from redistribution-based exchange because it is not imposed by a central authority. A special form of reciprocity, referred to as 'domestic administration' by Polanyi, operates within the family, which is the basic cell of the system.

On the basis of these three basic principles, a variety of combinations have developed historically. They can also be used to define a tripolar economy in today's world. The market economy is an economy in which the production of goods and services is based on the motivation of material interest; distribution of goods and services is entrusted to the market, which sets the price that brings supply and demand together for the exchange of goods and services. The relationship between supply and

demand is established contractually, based on an interest calculation that allows for increasing autonomy in terms of other non-market social relations. However, the market economy is certainly not the product of the market principle alone. Market economies are not only organized around the market; they include many non-market contributions, such as collective infrastructures and grants for businesses. Nevertheless, the distinctive feature of the market economy is the priority given to the market and the subordination of the non-market and non-monetary contributions to it.

The non-market economy is an economy in which the production and distribution of goods and services are entrusted to redistribution organized under the tutelage of the welfare state. Redistribution is mobilized to provide citizens with individual rights, thanks to which they are entitled to social security benefits, or last-resort assistance if they are part of the most disadvantaged groups. Public service is defined by a delivery of goods or services involving a redistributive dimension (from the rich to the poor, from the active to the inactive, and so on). The rules governing this dimension are laid down by a public authority subject to democratic control. Redistribution in a broad sense covers all forms of levy and resource allocation, whether the purpose is financing social transfers or playing the role of a macroeconomic stabilizing force.

The non-monetary economy is the one in which the distribution of goods and services is based primarily on reciprocity and domestic administration. Obviously, a number of reciprocity-based relationships take a monetary form (for example, donations), but it is definitely within the non-monetary economy that the main reciprocity-based contributions are generated, be it by self-production or by the private household economy. The reciprocity cycle is the opposite of a market exchange because it is inseparable from human relationships that bring the desires for recognition and power into play. It must be distinguished from the redistributive exchange because it is not imposed by a central authority.

Each division of the economy is therefore organized around the predominance of one principle (Eme, 1993), and the main examples of the present-day economy reflect a hierarchy of these divisions, with the market economy considered as primary, the non-market economy as supplementary, and the non-monetary economy as residual. Within such a framework of understanding, the specificity of the third sector can therefore be interpreted as being a hybridization between the three poles of the economy, existing in a state of tension with this hierarchical structure. In other words, the third sector is not defined as a clear-cut sector and is approached more as a component of the economy based on solidarity and a hybridization of different economic principles. The authors of the concept call it a civil and solidarity-based economy… In all cases it is emphasized that third sector organizations are influenced simultaneously by different spheres that make up their social and historical context, and that their survival as something 'different' instead of adapting to the core values of state and market or regressing to informal settings and networks cannot be taken for granted. Despite their differences, all the approaches we have referred to emphasize a kind of 'welfare mix/welfare pluralism' and a 'mixed' or 'plural' economy.

(Evers & Laville, 2004: 16–20)

This framework allows us start to place institutions and actors in relation to the different principles, and to recognise the importance of thinking not only about 'pure' public and market institutions, but also to include citizens and communities, as well the spaces where principles overlap, bringing with them particular characteristics, opportunities and problems.

The space where the market and redistributive principles overlap is occupied by commercial companies delivering services for payment, but on behalf of the government. As we will go on to note later, there are very real management issues that arise in this space, which differ from where government delivers services directly, or takes no role in them at all.

Equally important are the spaces where citizens, communities and their own institutions exist, including the 'hybrid' space in the very middle, which is of ever growing scale, particularly in post-industrial States. As you will see later in this module, attempts to reform government and the 'public sector' are not just about bringing in the market. Governments with the intention of reducing the amount they spend are increasingly likely to relocate services into the reciprocal, community, space, or that occupied by commercially minded but socially motivated organisations.

Now we have a model of the State, a sense of where government acts (potentially everywhere!), where the public, private and 'third' sectors are situated, and some of the socially constructed norms as to how transactions take place – market, redistributive and reciprocal. It would be possible to use this model to map out the particular characteristics of any State, varying the sizes of the triangles and areas of overlap to reflect the relative dominance of different principles and placing specific institutions in relation to both their roles and their origins. Comparing the model for different States would quickly show us the differences between them in relation, for example, to:

- the amounts of money moving between the market and redistributive parts of the monetary economy, a good indication of the extent to which governments are, or seek to be, involved in the workings of their State
- the different types of institutions involved in the movement of resources around the State and the exercise of power, such as governmental structures
- the types of activity governments seek to be engaged with.

✍ **Exercise 1.2**

Think about your own country or one that you are familiar with, and see if you can map it against the model we have been discussing.

- Does the model work?
- Are there aspects of the State in question that you can't place?
- Does it help you understand how that particular State is organised?

🖥 Share your thoughts with your fellow students on the VLE.

Let us now look in more detail at some of these issues, their variability, and also how they are changing.

1.3.2 Functions

Governments in different parts of the world carry on a range of activities. There is a core of common functions: all carry out defence, control of cross-border movements of people and goods, tax collection and law enforcement. When it comes to taking care of the welfare of the population the variations are large, from the 'welfare states' of northern Europe in which the state is the main provider of health care, social security payments and pensions, through to countries where the government's action in these areas is regulatory, if it has any interest at all.

1.3.3 Industry

There is also large variation in the degree to which the state is involved in producing goods and services. In some places there are state-owned enterprises making things that in other countries are produced only by the private sector. The Post Office Bank in Japan, for example, is the biggest deposit holder in the country. Railways around the world are variously privately owned and run, state owned and run or in mixed ownership. Various European governments own or partially own manufacturing plants, power generation and distribution and airlines. The French government has partially or fully privatised many large companies, banks, and insurers, but still retains large stakes in several leading firms, including Air France, France Telecom, Renault, and Thales, and remains dominant in some sectors, particularly power, public transport and defence industries.

There is also variation in state involvement in oil extraction and distribution. The Chinese government still has a range of State-Owned Enterprises in various manufacturing industries. At the end of the twentieth century the Chinese SOEs accounted for about one third of production in China and the 13,000 large SOEs employed 100 million people.[2] In 1998 it was estimated

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[2]   Traustadottir, Mariggio & Sassa (2001)

that they utilised about 70% of total bank credit and accounted for about 50% of China's investment in fixed assets.[3]

These SOEs are responsible for many aspects of the welfare of their workers and their families, providing housing, healthcare, education and retirement benefits. They seem to European eyes to be like small welfare states in their own right. Their existence has a big influence on the way the state is financed, cash flows from these SOEs being a major source of funding for state institutions. Their decline and replacement by companies in other forms of ownership have major implications for the continued existence of the welfare functions they perform. Their transformation is only possible through a big change in the way their managers manage and relate to the rest of the state apparatus.

1.3.4 Fees and charges

Another variation is how people pay for state services: some governments provide education in state schools without charge and fund the schools out of taxes, whether local or national. The United States of America is one example. In other places, such as China, pupils – or rather their parents – have to pay fees. There is a range of ways in which people pay for healthcare, from a service that is mostly free at the point of use, to systems of private payment and private insurance. Many countries, for example in Latin America, have a tiered system of public insurance, private insurance and some people with no cover at all.

Whether a service is paid for through taxation or through fees and charges has an important impact on the way in which the service is managed. Collecting fees puts the organisation providing the service in a different relationship with its service users, who behave more like customers and less like subjects. There is a tendency to move towards charging for public services at the point of consumption, and managers have to cope with the changed relationship with service users that this implies.

1.3.5 Reform efforts

You can also see a great variety of 'reforms'. During the 1980s and 1990s, poor countries – especially in Asia and Africa – went through programmes of 'structural adjustment' that changed the scale of state activity, and how the remainder is managed. In the same two decades there was a wave of 'privatisations' as governments, mainly in Europe and Australasia but elsewhere as well, have divested themselves of activities no longer deemed appropriate for governments to be involved in. The definition of what is appropriate does not have universal commonality but sectors that frequently get privatised include power production, manufacturing, telecommunications, banking, airlines, agricultural marketing.

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[3]   Lee, Wong & Mok (1999)

In addition to ownership change, reforms have been common recently in the way in which governments organise the management of activities that remain, broadly, within their public sectors. Changes in the structure of ministries, changes in the employment contracts and practices for public servants, the introduction of internal market-type mechanisms, the establishment of semi-autonomous units to deliver services, the use of the private and non-profit sectors to deliver services under contract to governments have all been features of political efforts to change the way in which public services are run.

1.3.6 Government/business/civil society relations

The final major variable that distinguishes states is how the overall relationship between politicians and their parties, governments, businesses, civil society and citizens is organised. There have been examples of States in which it is impossible to draw a clear boundary between the ruler, the party, the State, the government and private interests. If you think about the history of Zaire in the 1980s, for example, where the President was able to take money from the State-owned mining company and put it to his own private purposes, it would be naive to describe the country as one in which one could make a distinction between government, ruling party, State-owned assets and private interests.

Or look at the United States of America, where funding for parties and individual politicians' election campaigns comes largely from big corporations whose interests are systematically taken care of through an elaborate lobbying system. Or Korea, where big corporations managed the whole process of economic development, and capacity was built largely through loans raised from banks that were backed by government guarantees.[4] In these cases it would simply be wrong to imagine a clear distinction between corporations and government, each side acting according to some constitutional definition of private and public interest.

1.3.7 The importance of the differences

These differences imply, among other things, that when you study public policy and management, you have to take account of such big variations across geography and through time. At one extreme, if you wanted to be a civil servant in the Chinese empire you had to have a good grasp of classical Chinese literature and a fair mastery of arithmetic. Had you been a civil servant in the British Empire the main qualification seems to have been a knowledge of Latin and Greek literature, since this is what many of the civil servants studied before becoming colonial administrators. In present day governments, the relevant subjects to study range across knowledge of information and communication technology, management accounting, a variety of technical specialisms for particular ministries and functions as well as a broad grasp of social sciences to make sense of the interventions governments make.

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[4] Flynn (2000)

The other implication is that for every student some of the material might create the response: 'It is not like that where I work, so why am I studying this?' A tutor at CeFiMS had this response when on a teaching assignment in China in the mid 1990s. The programme was designed and run by a small Swiss company, whose owners were devoted to empowerment, creativity and flat organisational structures. The students consisted of senior civil servants from ministries, provincial governments and State-owned enterprises. Their definition of their main management problems was about discipline, absenteeism and low productivity. It was hard to persuade them that what they were being encouraged to learn by a largely European and North American faculty was right for them. Neither side was necessarily right or wrong, but it does mean that as a student of public policy and management you have to judge for yourself which approaches, techniques and ideas are relevant in what circumstances.

One way to make this easier is always to understand the context in which the material you are reading was written. Most textbooks, even the very good ones, are written from a national perspective. The ways of working described and analysed will be specific to one country or even one state. For example, Michael Barzelay (then at Harvard, now at London School of Economics) wrote an influential book with Babak J Armajani in 1992 called *Breaking Through Bureaucracy*. This has been much quoted as an example of how managers can get around the rules and make big improvements in services. It was written almost entirely about the government of the state of Minnesota in the United States of America during the 1980s. The experiences were real and no doubt the reporting was accurate, but as a student you have to ask yourself whether the lessons are lessons for you. Should you try to improve services and enhance your career by breaking the rules? What would be the consequences of behaving like this? This was the question that the Chinese students were asking – is it appropriate in a culture based on hierarchy and connections to manage in an egalitarian way?

As this module progresses you will come across this problem many times. People who work in and write about the public sector for governments or for international agencies are operating in a specific context that colours their work. They have views about how the organisational culture should be and make suggestions based on that wish. They have views about how people should behave and the principles according to which organisations ought to be managed. Very often these views will reflect 'Western' values and more often than not, particular values from the United States of America.

📖 Reading 1.2

Now turn to the second reading for this module, by the World Bank. The Bank publishes a report each year on key indicators of development across the globe, but enhances this with thematic material related to common public policy issues, everything from climate change to the use of psychology in framing policies. In 1997 it took a close look at the State itself. The authors argue that the functions of the state grew because of specific

World Bank (1997) Chapter 1 'The evolving role of the state'. *World Development Report 1997.*

events, such as the Russian Revolution, the depression of the 1920s, the world wars of 1914–1918 and 1939–1945 and the oil price shocks of the 1970s. They go on to suggest that there is in many cases a mismatch between the roles that States should perform and their capability. They imply that some states are doing too much and that some are not doing what they do very well.

✑ While you read that chapter, answer these questions, giving your reasons:

- It is taken for granted that the market is the 'best instrument for realising growth and improving welfare' and that when governments act it is defined as 'intervention' in the market. Do you agree?
- How well does their analysis of the State and its roles take into account the three-way model of market, redistribution and reciprocity – and in particular the place of citizens and communities as actors not just recipients or consumers?
- And do you agree that the expansion of State activity after about 1960, was driven by the same forces in all countries?
- Is 'market failure' the only, or best, reason for State action?

1.4 What Is Public Management?

We have spent a lot of time in this unit looking the arena within which public policy takes place, government and the idea of the State. In this section we bring the discussion back to the core purpose of the module itself: the practical issues faced by those charged with accomplishing tasks within the framework: the art and science of management in the public domain, and how this differs (or not) from management in other situations.

When academics started writing about management in the public sector, the English word that was used to describe the principles and practices was 'administration'. In the United States of America at the end of the nineteenth century 'Public Administration' became a subject of study as well as a practice in various levels and tiers of government. 'Administration' implied that the activity involved defining and following the bureaucratic rules and procedures at the heart of government. At the same time as these developments, 'management' was developing as an activity in business, distinct from the activities of business owners and of the workers.

One writer of many classic books on management, Peter Drucker, elevated 'management' to the status of a social force:

> The emergence of management as an essential, a distinct and a leading institution is a pivotal event in social history. Rarely, if ever, has a new basic institution, a new leading group, emerged as fast as has management since the turn of this [twentieth] century. Rarely in human history has a new institution proven indispensable so quickly; and even less often has a new institution arrived with so little opposition, so little disturbance, so little controversy.
>
> (Drucker, 1955: 1)

In this definition, management is an activity, a set of relationships and a group of people with an important role. It developed as part of the growth of companies to a size that exceeded their owners' capacity to control and

direct all their resources. It also developed when the technical aspects of production grew in complexity.

Many of the same factors propelled public administration in a direction that made it become public management. Organisations of the public sector grew so that they could not be directly managed by politicians, and grew in complexity so that specialists were needed to organise and direct them.

There are differences between managing businesses and managing government agencies and public services. There is also a great variety of organisations and processes within both the private and the public sectors. States differ greatly with respect to the functions and activities they carry out, and how they carry them out. So the expression 'public management' has to encompass somebody running the mayor's office, the person in charge of a fire service, the manager of a state-owned enterprise, the principal of a state school.

Clearly these institutions have different problems, and different techniques will be appropriate for running them. But is there anything that they have in common that distinguishes them from any other form of management? After all, if there is no distinction, then all the techniques of management that are appropriate in business could simply be transferred to these public sector institutions and the problem is solved.

One argument for an approach in public management that is distinct from the private sector is that the market produces different requirements than those in the public sphere. Norman Flynn, the distinguished former head of CeFiMS, now retired, made the classic argument in a European context, like this:

Box 1.1   Public goods and public services

There are four elements to the distinction between private and public services. The first is that certain things are 'public goods'. One feature of such goods and services is that they produce 'externalities', or benefits that accrue to people other than those who benefit directly. For example, education is said to benefit everyone living in a society of skilled and educated people. The other feature is that people cannot be excluded from certain benefits. Everyone benefits from clean air or street lighting. Because no one can be excluded, people should pay for such services collectively rather than individually. Even those politicians who believe that the state should do the minimum possible are normally willing to concede that these categories of services should be carried out by the public sector. Some people believe that no services are better provided by government and that even clean air is best achieved by property rights in air.

As a *justification* for the public sector, the 'public goods' argument suggests that the public sector should provide services where the market fails to do so, and the goods or services are required collectively, a decision made through the political process. As an *explanation* of what is public and what is private it is less convincing, since different services are in the public and private sectors in different societies and at different stages of development. Examples of the differences include the extensive provision of education through religious organizations but financed by the state in the Netherlands, the private provision of ambulances and fire protection in Denmark, public ownership of airlines in various countries. History and politics have more convincing explanations than a theory about public goods. Britain went through a period in which the ruling Conservative Party had an instinctive suspicion of public

provision and preference for markets and the private sector. The Labour party abandoned its belief in state ownership as part of its modernization programme and claims to be pragmatic in its approach to what should be private and what should be public.

The second distinction is how services are financed. Services are public services if they are financed mainly by taxation, rather than by direct payments by individual customers. One characteristic of some public services is that they are not available for sale and people cannot necessarily have more if they pay more. Even those services which are 'commercial', in the sense that money is exchanged at the point of consumption, are still public services in the sense that they are controlled through the political process and accountability for service delivery is through politicians to the public rather than to shareholders.

The distinction is no longer absolute. People who receive homecare, for example, may pay for extra hours beyond those for which they are assessed as needing. While not legal, school children who do not pay for school visits may be left at school. Some services which are public are subject to charging: leisure facilities and car parks are normally charged for at cost or close to it. The NHS5 has charged for drugs since 1952 and in 1995 patients pay about 10% of the cost of drugs to the NHS6. NHS Trusts have private wings in which patients who pay may receive quicker treatment and better facilities than NHS patients. A high proportion of public services are 'free', at least at the point at which they are used: most of education and health, social security, criminal justice.

A third difference is who owns the facilities and by whom are the service providers employed. Traditionally, public services were provided by public employees in public buildings. Again, such a distinction is not absolute, after a period of contracting out and privatisation. Take public transport. In the United Kingdom outside London, bus transport is privately owned and deregulated. But there are still public service features. Everyone benefits from there being a public transport system, even car users whose freedom to drive is enhanced by having passengers on buses. In London, buses are privately owned, but the routes are regulated by London Transport Buses and some routes are subsidized. Or, take refuse collection. Where private companies have won the right to collect rubbish, their employees are not public employees, the vehicles may or may not be owned by the local authorities but the details of the service are determined by the local authority.

The main defining characteristic is whether goods and services are sold only to people who pay for them and whether anyone with money can access them while other people are excluded. For people running and providing the services this distinction is important. In a business, the task is to attract customers, persuade them to pay a price that produces a profit and satisfy them enough to persuade them to remain customers. Public services have to attract people to use them, but they also have to enforce eligibility criteria where scarce resources have to be rationed in a way which does not apply in the private sector; scarce services are rationed by price. In the public sector, resources are rarely deliberately rationed by price. Prescription charges for drugs may deter poor people from taking medication, but there are safeguards to try to ensure that people in need do not have to pay and are not deterred. Nor do the managers and workers of public services have to satisfy people enough to persuade them to return. In those cases where the service is a monopoly, the service users have no choice. Even if they have a choice, it is not always the case that attracting more service users creates benefits for the organization or its workers:

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5   National Health Service, United Kingdom.

6   Office of Health Economics (2001) Figure 4.17

often it just means more work. The motivation for satisfying customers is not to persuade them to return and generate more profit, but the value of public service.

It is really this last feature, the lack of a direct connection between ability to pay and access to the service and the fact that there is not always a direct benefit from attracting customers that makes management in the public sector distinct: marketing to generate sales is mostly irrelevant, unless artificial markets are created. Customer satisfaction as expressed by repeat business is not a relevant measure of success, nor is profitability. Motivations for good service are not themselves based on profit.

If these differences did not exist, then managing in the private and public sectors would be identical. Of course, there are similarities: people's motivations in both sectors may have no connection with the well-being of the organization or its customers; services in both sectors need to be designed and managed in similar ways; organizations have to be created to support the service process. Underlying these techniques, however, are the important differences in values and definitions of success.

<div style="text-align: right">(Flynn, 2007: 13–15)</div>

While this argument has used examples from the United Kingdom, the general principles apply in many countries.

A second argument is that management 'in the public domain' is specific to a form of political culture. John Stewart and Stewart Ranson were both professors at Birmingham University in the United Kingdom. They wrote a book in 1994, *Management for the Public Domain*, which tried to make political sense of the different demands that were being made on managers as the public services were becoming subjected to market influences.

📖 Reading 1.3

You should read Chapter 2 of Ranson and Stewart (1994) now. Their argument is that public management has:

- distinctive purposes
- different tasks
- internal and external conditions for management
- a variety of systems for management.

and that differences arise as a result of variations in:

- ownership (the fact that there are no stockholders of public organisations)
- politics (the fact that ultimately politicians are in charge of public services)
- the difference between working in a market environment and a non-market environment
- the nature of the service (such as garbage collection versus running an airline, running a school compared with running a restaurant).

✎ Your notes on the reading should clarify these issues.

<div style="text-align: right">Ranson & Stewart (1994) Chapter 2 'Towards a theory of public management'. Management for the Public Domain.</div>

1.5 Finally: What Then is Public Policy?

We started this unit by looking at the idea of Public Policy itself, and then went on to consider what we mean by government, the States, the public sector and its place in the political economy of states. How has your thinking evolved?

✐ Exercise 1.3

Earlier on you wrote down your own definition of public policy. Look again at your definition of public policy, and think about whether it still works for you. Would you change it? If so, how, and why? Do the definitions and examples we have considered match with your own experience and understanding, or do they need to take other situations into account?

💻 Share your thoughts with your fellow students on the VLE.

1.5.1 Exercise feedback

There are many different ways to think about public policy, which is one of the reasons it is worth studying in detail! What follows is loosely based on Hogwood and Gunn, 1984, and shows the importance not only of recognising the diversity ways in which the term might be encountered, but also taking this into account, particularly if you are engaged somewhere in the public sector and expected to 'do something', such as:

1. *A label for a field of government activity*, such as foreign policy, trade policy etc. This is what is often meant by a policy 'field' or 'arena'.

2. *An expression of general purpose*. Governments and ministers are often happy to leave their policies at this level. 'Our purpose is to reduce crime'; 'Our policy is to encourage economic growth'; 'We will encourage sustainable development' are statements that are hard to disagree with but at the same time difficult to pin down in terms of tangible results.

3. A set of *specific proposals*, including intentions, processes for delivery, and underpinning beliefs in the validity of the action

4. *Formal authorisation for actions by ministries and others*. 'Policy' on an issue may be a political necessity. Governments of countries where there are highly organised criminal groups controlling the drugs trade have to have a policy on such matters. It is another question whether in practice they will be effective in stopping the trade.

These four basic definitions are important for public servants who need to know what definition of 'policy' is being used in a particular case. Are they expected to do something to implement the policy or is the policy there simply as a set of statements from the government? There are further nuances:

5. *Policy as programme*. Sometimes the policy will be expressed as a series of linked proposals and means of implementation. This might be expressed in a slogan, such as the 'War on Terror' (USA) or 'Tough on Crime, Tough on the Causes of Crime' (United Kingdom). A

programme is likely to involve numerous individual actions performed by a number of departments and agencies.

6. *Policy as output or outcome.* A useful distinction, especially when you look at evaluation of policies, is between outputs and outcomes. Conventionally, there is a distinction between what an agency produces and the results that it can achieve. Take a school: its outputs are lessons and pupils carrying out activities and tasks. The outcomes of the actions of the school and its pupils are a set of skills, attributes and knowledge that the pupils acquire as a result of the activities. Schools policy could be expressed either as a set of outputs or a set of outcomes. 'We will provide x000 teachers, books and classrooms' would be a policy expressed in outputs. 'We will create a cohort of students, of which $x\%$ will achieve y standard in mathematics, all will understand the constitution of their country and will be employable' is a policy expressed in outcomes.

   The distinction is not always that clear. The idea that politicians should concentrate on outcomes and public servants on the outputs is based on the clear distinction between policy and administration and between politicians and civil servants. Politicians are rarely happy with this distinction. Election promises to 'improve the educational standards in schools' are less tangible than 'we will hire 1000 more teachers', and politicians are free to express their policies however they wish.

7. This blurring between policy and implementation can have serious consequences. Take the field of health care. It is widely believed that the health of a population overall is greatly affected by standards of public health and hygiene and by measures taken to prevent people from contracting diseases. Health improvements come from a balance of factors such as diet, housing standards, water supply and sanitation, air pollution and the provision of medical services. Often a better outcome can be achieved by rebalancing spending away from treatment investments and towards prevention measures. However, the preventive measures are often hidden from view, other than by the people directly benefiting. Treatment investments, in hospitals, clinics, operating theatres and so on are more visible and may be more attractive to politicians, despite their relative impacts on the health of the people. Policy expressed as outcomes, such as 'the child mortality rate' or 'the incidence of heart disease' will produce different investments and services from policies expressed as 'number of hospital beds provided' or 'number of nurses hired'.

8. *Policy as process.* Anyone working in policy knows that there is no straight line where a policy starts as a public statement by a politician, through a set of detailed proposals drawn up by civil servants, through to implementation by ministries or other agencies on the ground. The process is much messier than that. Policy emerges from the interaction of many people representing many interests. Most policies build on existing activities and institutions which themselves

have become an interest. Most policies get modified during implementation as the actions of the agency collide with the realities on the ground. One of the skills you need working in a public policy arena is knowing where and how policy is really made and the relationships between the players in the process.

✎ Exercise 1.4

When you have answered the questions, post a summary of your answers to the Virtual Learning Environment (VLE) so that the rest of the class can see them, and so that you can see their answers. We should be able to learn from this whether there is a variety of contexts in which you work or whether my argument is simply wrong!

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