

Foundations of Reform

Since the 1980s, a remarkable movement to reform public management has swept the globe. In fact, the movement is global in two senses. First, it has spread around the world, from Mongolia, China, and India to Sweden, New Zealand, and the United States. Second, it has been sweeping in scope. Governments have pursued management reform to deliver better value for tax money and, more fundamentally, to reshape the relationship of the state with its citizens. Some nations, such as the United States, have been inveterate reformers, but virtually no part of the planet has escaped the impulse to reform.

The movement has been striking not only in its breadth but also in its common characteristics. In general, it has built on six core components:¹

—*Productivity*. How can governments produce more services with less tax money? Citizens everywhere have demanded a rollback in taxes, but their taste for government services has scarcely diminished. Governments have had to find ways to squeeze more services from the same—or smaller—revenues.

—*Marketization*. How can government use market-style incentives to root out the pathologies of its bureaucracy? Some governments have privatized extensively by selling public enterprises, whereas others have relied heavily on contracting out to nongovernmental partners for service delivery. In both cases, they have struggled to change the fundamental incentives of government bureaucracy. Underlying those tactics is a basic

strategy: replace the traditional command-and-control mechanism with a market mechanism and then rely on the market mechanism to change the behavior of government managers.

—*Service orientation.* How can government better connect with citizens? Public opinion polls show that public trust in government institutions has declined and that many citizens believe that government programs are unresponsive. To make programs more responsive, governments have tried to turn their service delivery systems upside down. Instead of designing programs from the point of view of service providers (especially government officials) and managing them through existing bureaucratic structures, reformers have tried to put citizens (as service recipients) first. In some cases, this strategy has meant giving citizens a choice among alternative service systems. In others, it has meant training program managers to focus on improving service. Markets naturally provide consumers with choice. Government reformers have used market mechanisms to give citizens the same choice—or at least to encourage a customer-oriented approach to providing service.

—*Decentralization.* How can government make programs more responsive and effective? Many nations have devolved responsibility for various programs to lower levels of government. In some federal systems (for example, those of Australia, Canada, Switzerland, and the United States), this strategy has meant shifting power within the system. In other nations, it has meant transferring more responsibility for service delivery to local governments. Some governments also have devolved responsibility within public agencies to increase frontline managers' incentives and ability to respond to citizens' needs.

—*Policy.* How can government improve its capacity to devise and track policy? Many governments, following the lead of New Zealand, have explicitly separated government's role in purchasing services (its policy-making function) from its role in providing them (its service delivery function). Those governments have sought to improve the efficiency of service delivery, which might or might not remain in the hands of government, while improving their oversight capacity.

—*Accountability.* How can governments improve their ability to deliver what they promise? Governments have tried to replace top-down, rule-based accountability systems with bottom-up, results-driven systems. They have sought to focus on outputs and outcomes instead of processes and structures.

Painted with the broadest brush, these reforms have sought to replace traditional rule-based, authority-driven processes with market-based, competition-driven tactics. Indeed, many nations with substantial state-owned enterprises (such as telephone, airline, and power generation companies) have sold them to move them into the private market. But the global reform process is much more than a simple effort to replace bureaucratic processes with markets. It has been shaped by a fundamental effort to transform government itself.

The Transformation of Public Management

What explains the fact that so many governments pursued such similar strategies so aggressively at much the same time? Four forces have played a part:

—*Political.* Following the end of the cold war, many nations found themselves wrestling with a fundamental debate about the role of government. In nations that once lay behind the Iron Curtain, governments had the daunting task of transforming their basic systems of governance, devising institutions that were more democratic, building civil society, and reshaping their relationships with citizens. Indeed, some of those nations, like the Slovak Republic, quickly became some of the world's most aggressive and imaginative reformers. One Slovak official, in fact, referred to his nation's efforts as "modernization on steroids."²² Developing nations, facing strong calls to modernize their economies quickly, found themselves under quite similar pressures. Their citizens, looking at the pace of economic growth elsewhere, have put tremendous pressure on elected officials to catch up. Meanwhile, industrialized nations have had to cope with an increasingly global economy. And nations everywhere have had to confront a darker aspect of globalization. Participation in the global economy brings with it the inescapable risk of terrorist threats, a risk that requires nations to fashion effective systems of homeland security.

Political candidates the world over have waged successful campaigns on the theme of how to shrink government and improve public services. Even in large welfare states like Denmark and Sweden, the currents of reform have been strong. Public officials have seen real value in promising to put a lid on government spending, but they have struggled to cope with citizens' demands for public services. Those demands have hardly

shrunk, so elected officials have relied on management reform to try to solve the conundrum.

—*Social*. Some nations have undergone profound societal transformation. In South Africa, for example, the end of apartheid required the government to find ways to bring disenfranchised blacks into political life. Many eastern European nations have been working to reconstruct their social, legal, economic, and political systems. In many industrialized nations, standards of living have stagnated, and families have increasingly required two wage earners to attain the standard of living to which they aspire. Finally, societies everywhere have struggled to cope with the radical shift from the Industrial Age to the Information Age. Ideas have spread with stunning speed. Companies—and nations—that have failed to keep up have been punished quickly and harshly. These transformations have created a strong impetus for reform.

—*Economic*. In the late 1990s, the Asian financial crisis, among others, profoundly challenged the financial structure of East Asian nations. After years of “Asian miracles,” economic calamities gave rise to great urgency for reform. Other nations, such as New Zealand and the United Kingdom, launched their reforms to escape economic stagnation and spark economic growth. Corporate leaders in many nations have complained that government, especially through its tax and regulatory policies, has reduced economic growth and limited the global competitiveness of their businesses. Deregulation, privatization, and other tactics to promote job creation and economic growth became central to the debate.

—*Institutional*. All governments have found themselves part of an increasingly global economy and political environment. Major initiatives—military, economic, and political—require careful negotiations and reliable partnerships. Within the European Union, nations are racing to create supranational structures to harmonize their government policies and improve their economic performance. Meanwhile, international organizations, including the United Nations, the World Bank, the International Monetary Fund, the Inter-American Development Bank, and the World Trade Organization, are playing a big role in shaping the world community. Nongovernmental organizations have become vastly more numerous and increasingly important in shaping both political debate and service delivery. Many national governments have devolved more decisionmaking to the local level. Political power and program administration have simultaneously become more concentrated at the supra-

national level and less concentrated in subnational governments and civil society. The result is a new constellation of relationships that are increasingly important but not well understood.

Reform and Governance

As nations have struggled to deal with these problems, the reform movement has spread like wildfire. Indeed, the movement has become so widespread—and chic—that no self-respecting central government can be seen as *not* having some sort of reform underway, no matter how modest. Ideas have driven action, but public officials have rarely stopped to assess how well reforms have worked elsewhere or to determine the preconditions required to achieve the results that they have observed. In fact, the results often have been very modest.³ This observation frames a profound paradox: government management is both more and less important than the reform movement suggests.

On one hand, macrogovernance and macroeconomic issues often swamp management reform. What usually matters most, to elected officials and citizens alike, is whether the economy is growing, producing new jobs and a higher quality of life. New Zealanders tend to gauge the success of their nation's reforms by how long they have to wait for medical procedures. Swedes assess their reforms by the level of economic growth, continued provision of treasured social welfare programs, and maintenance of social cohesion. Al Gore spent eight years championing the Clinton administration's efforts to reinvent the U.S. federal government. He got no political payoff for the effort that he put into the campaign (or for the sustained economic success of the Clinton years). Gore lost the election because George W. Bush succeeded in framing larger anti-Clinton political issues, from a promise to restore integrity to a pledge for greater collaboration between the parties, and took the reform issue away from him.

On the other hand, the performance of government bureaucracies increasingly plays a central role in the macro-level political and economic issues that elected officials—and voters—do care about. To keep services high and taxes low, governments must manage their debt and public programs effectively. Government managers and elected officials alike have frequently complained that standard bureaucratic procedures often handicap their government's ability to respond effectively to global challenges.

Hence government reform is often much more important than it appears on the surface. Without strong public management well-equipped to tackle the problems that government faces, governments in many nations have been unable to play their required roles.

Moreover, in countries around the world, government action depends increasingly on nongovernmental partners, from nongovernmental organizations that deliver public services to private contractors who supply important goods. In order to embrace the large and complex networks responsible for service delivery, many reformers now speak of *governance* instead of government. As these networks have become more important, government officials have increasingly reached out to sweep them into the reform movement as well. Improving government services requires more than managing government agencies.

In short, as I suggest in this volume, the most important aspect of the global reform movement in public management is the fact that public management is only part of the picture. The movement's central problems revolve around government's relationship with civil society. The strategies and tactics of government reform seek to strengthen government's capacity to meet citizens' hopes. The success or failure of the movement depends on how deeply its reforms become wired into a nation's systems of governance—in its political institutions, for-profit and not-for-profit partnerships, public expectations, and civil society.

In fact, the global public management movement is part of a fundamental debate about governance. The implicit assumption is that the government of the past century will not suffice to tackle the problems of the next—that government needs to be reinvented and transformed to deal effectively with the problems of the twenty-first century. What should government do? How can it best accomplish its goals? What capacity does it need to do its job well? What should be the relationship between the nation-state and multinational organizations? What should be the relationship between nation-states and subnational governments, the private sector, and nongovernmental organizations? How can government best promote democratic accountability? How can the emerging structures and relationships promote the interests of citizens as a whole and escape capture by narrow interests? How can citizen distrust and alienation be minimized? The management reform movement builds on the notion that good governance—a sorting out of mission, role, capacity, and relationships—is a necessary (if insufficient) condition for economic prosperity and social stability.

The pages that follow explore the basic models of reform, especially in New Zealand and the United States. They examine the basic tool kit of reformers, in these nations and around the world, and probe the underlying issues of government management and the large puzzles of governance in the twenty-first century.