

## **NEW PUBLIC MANAGEMENT: ORIGINS, DIMENSIONS, AND CRITICAL IMPLICATIONS**

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### **1. Introduction**

It took more than a century to articulate the essence of public administration as a field of study and profession based on its own assumptions, principles, and norms distinguished from those in politics and business. Although public administration borrowed heavily from political science and business management, one of its major hallmarks that emerged in most liberal democracies was its relative neutrality from the power-driven political sphere and the profit-driven business world. However, it took only a decade, especially the 1980s, to reverse the process in terms of the diminishing significance of such neutrality of public service profession from political influence and corporate interest. More specifically, in the contemporary global context—characterized by the eclipse of the state-centered approach, demonization of government bureaucracy, and expansion of a market ideology—the public service has been transformed in terms of its scope, role, structure, and orientation in order to make it more supportive to political leaders and private investors. Behind the current rhetoric of reinventing, reengineering, or redesigning governance, the main agenda of most governments, international agencies, and experts has been to restructure the public sector in favor of local and foreign business interests favored by a new generation of market-biased politicians.

Major tenets of this recent market-led restructuring of the public sector are presented as the so-called New Public Management (NPM), which has been touted by some authors

as an administrative revolution or post-bureaucratic paradigm. In line with the common tendency in social sciences to reify ideas not really profound into something as significant as a revolution or paradigm, many management experts portrayed the contemporary public sector reforms as a paradigmatic shift. According to its proponents, the newly emerging paradigm of NPM is characterized by managerial freedom, market-driven competition, businesslike service delivery, value-for-money, result-based performance, client-orientation, and a pro-market culture. For other scholars, however, there is no paradigmatic consensus on NPM: it at best represents a loose collection of ideas derived from the private sector, used by different countries, and propagated by international organizations and advanced market economies. In addition, the techno-managerial interpretations of NPM by its proponents do not adequately explain its historical causes, ideological underpinnings, socioeconomic consequences, and politico-administrative limitations.

This chapter attempts to overcome some of these gaps in the current literature, and provide a more coherent, holistic, and critical view of NPM. The main components of the article include the following: (a) a brief overview of the origin and globalization of NPM; (b) an analysis of the major dimensions of NPM; (c) an assessment of the adverse implications of NPM for both citizens and public servants; and (d) a scrutiny of the main limitations and prospects of NPM. Although this agenda of the article may not represent something altogether new, it attempts to offer a systematic and critical explanation of the origin, dimensions, implications, limitations, and prospects of NPM.

## **2. Origin and Globalization of New Public Management**

One of the most influential factors leading to the emergence of NPM has been the historical shift in state ideology since the late 1970s in advanced capitalist nations toward a neo-liberal framework, which rejects the welfare state, opposes a large public sector, doubts government capacity, blames public bureaucracy, believes in private sector superiority, and emphasizes market competition in service delivery. Such an anti-public sector and market-led ideological transition has taken place in major Western countries—especially Australia, Canada, New Zealand, the UK, and the US—irrespective of the differences in their forms of government and political parties. At the micro-management level, the neo-liberal inclination of NPM is reflected in its neo-managerial administrative setup based on organizational principles, leadership styles, and corporate experiences borrowed from the business sector.

Such roots of NPM in neo-liberal and neo-managerial beliefs are quite evident in contemporary reform initiatives adopted by advanced capitalist nations. The examples of these reform initiatives include the Financial Management Improvement Programme (1984) and Programme Management and Budgeting (1988) in Australia; Public Service 2000 (1989) and the Public Service Reform Act (1992) in Canada; Financial Management Initiative (1982) and the Next Steps (1988) in the UK; the State Sector Act (1988) and the Public Finance Act (1989) in New Zealand; the Grace Commission (1984) and National Performance Review (1993) in the US; Modernization Program for the Public Sector (1983) and Public Sector in the Year 2000 (1991) in Denmark; and Modernization of the Organization and Functioning of the Public Administration (1991) and Programme of Administrative Modernization (1992) in Greece. Similarly, there

were initiatives such as the Fundamental Policy of Administrative Reform (1982) in Japan, Renewal of the Public Service (1989) in France, Administrative Management Project (1988) in Austria, Functionality and Efficiency of the Public Administration (1990) in Italy, and Major Options Plan (1992) in Portugal. These reform initiatives represent the spread of NPM across these advanced industrial nations.

It has been pointed out that originating from the UK and the US, the NPM model of governance has not only spread to other capitalist nations (Australia, Austria, Canada, Denmark, France, Germany, Italy, Japan, Netherlands Norway, Portugal, Spain, Sweden), it has also been embraced by developing countries in Asia, Africa, and Latin America, and transitional societies in Eastern Europe. In various degrees, the main components of NPM—including the principles of market competition, business management, customer orientation, and value-for-money—can be observed today in these countries and regions. In the developing world, the NPM model has not only taken root in relatively advanced economies in Asia and Latin America, it can also be noticed in some of the poorest African countries like Uganda, Zimbabwe, Tanzania, Malawi, Ghana, and Zambia. Thus, some scholars mention that during the recent two decades, NPM has increasingly assumed the status of a global model of public sector reforms.

This globalization of NPM has been reinforced by various international actors. More specifically, in advocating and prescribing the NPM-style reforms for developing nations, the most dominant roles have been played by international agencies such as the World Bank, the International Monetary Fund, the World Trade Organization, the Asian Development Bank, the African Development Bank, the Inter-American Development Bank, and the United Nations Development Programme. Under the pressure of neo-liberal policy preferences in advanced capitalist nations, these international institutions embraced an anti-state policy stance, and imposed market-biased public sector reforms (in line with the NPM model) on developing nations during the 1980s and 1990s. There are also mega-regional organizations—including the Organization for Economic Co-operation and Development (OECD), North American Free Trade Agreement (NAFTA), European Union (EU), and Asia-Pacific Economic Cooperation (APEC)—which have often functioned as advocates of NPM-style reforms in governance. In addition, various management consultancy firms and experts associated with these international agencies and regional organizations have played critical roles in packaging and selling the principles and techniques of NPM worldwide.

In fact, there are various professional groups or associations to publicize the NPM model through publications, evaluation reports, and conferences. In this regard, the examples include PUMA (Public Management Programme) for the OECD countries, SIGMA (Support for Improvement in Governance and Management) for Central and Eastern European countries, and the Commonwealth Secretariat (especially Management and Training Services Division) for many developing countries. The leading political figures in Western nations, especially Ronald Reagan and Al Gore in the US, and Margaret Thatcher and John Major in the UK, also played significant roles in influencing various governments and international institutions to introduce public sector reforms in line with the market-oriented NPM model. In particular, former US Vice President, Al Gore, took a special interest in selling the NPM model worldwide under the facade of “Reinventing Government”. For instance, in January 1999, Gore

hosted an international conference on "Strategies for 21st Century Government: A Global Forum on Reinventing Government", which brought together about 150 politicians, academics, and senior bureaucrats from 45 countries. In short, through the active initiatives and programs pursued by international agencies, regional organizations, professional associations, and political leaders, the NPM model has increasingly become a global model for reforming and managing the public sector in countries all over the world.

### **3. Rationales and Causes of New Public Management**

What are the rationales behind the emergence of NPM and its globalization? The most common official explanations for adopting the NPM model are the weaknesses or failures of traditional state bureaucracy, especially in terms of its monopolistic nature, unmanageable size, managerial inefficiency, public inaccessibility, economic inertia, excessive corruption, and self-serving agenda. Although these allegations against state bureaucracy were always there in the past, the intensity of such anti-bureaucratic rhetoric was significantly increased during the 1980s and 1990s by the market-friendly ruling parties in advanced capitalist nations. The new agenda was to reduce the scope and role of public bureaucracy, transfer resources and services from the public sector to the private sector, and restructure the public service in the image of business management, because the business sector was believed to be more competitive, productive, efficient, innovative, responsive, and customer-friendly.

In both developed and developing countries, the tarnished image of the public service was reinforced further as most governments began to hold the expansive public sector responsible for causing budget deficits and fiscal crisis, and introduced market-driven policies and structural reforms in line with the NPM model. Various forms of fiscal crisis, allegedly caused by an inefficient public bureaucracy, have been used as one of the most oft-cited rationales for adopting NPM as a more efficient model of governance in Western Europe and North America as well as Asia, Africa, and Latin America. Another dominant rationale has been to enhance innovations in the public sector based on NPM principles and techniques such as user-responsiveness, outcome-orientation, and competition in service delivery. These micro-managerial principles and techniques are considered "good practices", and founded upon the macro-level rhetoric of "good governance" used by governments and donors to justify the adoption of NPM. In particular, in the name of "good governance", the World Bank has prescribed various facets of NPM for developing nations to pursue their public sector reforms.

Beyond the above formal rationales of using the NPM approach to governance presented by its advocates, there are other political reasons behind this approach mentioned by its critics. First, for some critics, a common cause behind the emergence of NPM has been the political agenda of the ruling party to use this market-driven approach as an effective tool to boost the political support of an anti-bureaucratic public. For instance, in the 1980s, the neo-conservative political leaders in the UK and the US—especially Thatcher and Reagan—blamed the state-centered public sector, advocated the market-led NPM model, and used such a rhetoric as a campaign ploy to win elections. This political tactic became more effective in the context of globalized private media publicizing the failure of the public sector and success of market forces.

The examples of similar political uses of NPM can be found in other developed nations such as Australia, Canada, and New Zealand, and more recently in developing countries and transitional economies. In endorsing the NPM model, there has been a considerable degree of convergence among ideologically diverse political parties in most of these countries. Another reason for the anti-bureaucratic rhetoric of NPM since the 1980s has been the crisis of public confidence in governance in major capitalist nations, which led political parties and leaders to use public bureaucracy as a scapegoat. They blamed public servants for worsening socioeconomic problems in order to make themselves look good in public eyes. By pointing fingers at the public sector as a trouble-maker and drawing public attention to NPM as an alternative, the ruling parties tried to justify unpopular policies like retrenchment, welfare cuts, and user fees. In an effort to avoid responsibility and regain public confidence, they also held the public service responsible for government failure, focusing on economic and fiscal crises rather than a legitimization crisis. It has been pointed out that in most capitalist nations it is mainly the crisis of the Keynesian welfare state that led to the expansion of the private sector and the redefined (market-driven) role of the state in the form of NPM.

Lastly, in the case of the developing world, beyond the internal socioeconomic problems, the above mentioned external pressure exerted by international agencies played a crucial role in encouraging (often forcing) them to adopt the NPM style of public sector reforms. In particular, since the early 1980s, these agencies have imposed structural adjustment programs as a pre-condition for granting loans, thus forcing developing nations not only to adopt market-led policies such as privatization, deregulation, and liberalization, but also to restructure the public sector based on business sector principles found in the NPM model. Thus, while the major causes of NPM in capitalist nations have largely been internal, including internal vested interests and state crises, in developing countries the causes behind its endorsement have predominantly been external. What can be considered most interesting in the above discussion is the fact that in both developed and developing countries, beyond the official rationales such as state failure, public sector inefficiency, and bureaucratic mismanagement, there are major critical factors such as vested political interests, a legitimization crisis, and external pressure behind the advocacy and adoption of NPM as a new mode of governance. These critical causal factors have often been hidden under the appealing phrases associated with NPM, including reinvention, innovation, facilitation, partnership, empowerment, customer satisfaction, capacity building, and so on. Although there are cross-national variations in the extent to which these internal and external factors led to the emergence of NPM, as mentioned above, today it is increasingly portrayed as a global model of governance. .

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