The "New Public Management" in the 1980s: Variations on a Theme

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Abstract
Changes in public sector accounting in a number of OECD countries over the 1980s were central to the rise of the "New Public Management" (NPM) and its associated doctrines of public accountability and organizational best practice. This paper discusses the rise of NPM as an alternative to the tradition of public accountability embodied in progressive-era public administration ideas. It argues that, in spite of allegations of internationalization and the adoption of a new global paradigm in public management, there was considerable variation in the extent to which different OECD countries adopted NPM over the 1980s. It further argues that conventional explanations of the rise of NPM ("Englishness", party political incumbency, economic performance record and government size) seem hard to sustain even from a relatively brief inspection of such cross-national data as are available, and that an explanation based on initial endowment may give us a different perspective on those changes.

Over the 1980s, there was a move in a number of OECD countries towards the New Public Management (NPM). Central to this change in modes of public management was a shift towards "accountingization" (a term coined by Power & Laughlin, 1992, p. 133). This development can be claimed to be part of a broader shift in received doctrines of public accountability and public administration. At the same time, accounting changes formed an important part of the assault on the progressive-era models of public accountability (cf. Halligan & Wettenhall, 1990).

For progressive public administration, democratic accountability depends on limiting corruption and the waste and incompetence that are held to go with it (cf. Karl, 1963, p. 18). The assumption is that politicians are inherently venal, using their public office wherever possible to enrich themselves, their friends and relations, and that reliance on private-sector contracting for public services inevitably leads to high-cost low-quality products, either because of corrupt influence on the contract-awarding process or because the public contract market will come to be controlled by organized crime, or both. Whether these assumptions can be safely dispensed with in the wealthy OECD countries of today is a matter for debate.

From those assumptions, the accountability paradigm of progressive public administration (hereafter PPA for convenience) put heavy stress on two basic management doctrines. One of those doctrines was to keep the public sector sharply distinct from the private sector in terms of the introduction of ever-more explicit cost categorization into areas where costs were previously aggregated, pooled or undefined.

Broadly, "accountingization" means the introduction of ever-more explicit cost categorization into areas where costs were previously aggregated, pooled or undefined.

That is, the style of public administration that emerged in the "progressive era" of the late nineteenth and early twentieth centuries.
of continuity, ethos, methods of doing business, organizational design, people, rewards and career structure. The aim, in Beatrice Webb's words (Barker, 1984, p. 34), was for a "Jesuitical corps" of ascetic zealots. The other doctrine was to maintain buffers against political and managerial discretion by means of an elaborate structure of procedural rules designed to prevent favouritism and corruption and to keep arms-length relations between politicians and the entrenched custodians of particular public service "trusts".

This organizational model attracts more derision than analysis today (cf. Osborne & Gaebler, 1992). In fact, it reflects an underlying metaphor of trustee and beneficiary (John Locke's metaphor for government) and involves a complex mix of high-trust and low-trust relationships, with the accompanying accounting rules reflecting degrees of trust. Within the "Jesuitical corps" of the public service were many high-trust relationships (for example, in conventions of mutual consultation or action on the basis of word-of-mouth agreements across departments), the costs of which were not accountingized. The implicit assumption is that such high-trust, non-costed behaviour lowers transaction costs within the public sector and makes it more efficient than it would be if each action had to be negotiated and costed on a low-trust basis. However, PPA also embodied many low-trust relationships, particularly in areas where the Jesuitical corps faced the corrupting forces of the world outside, notably the award of contracts, recruitment and staffing, as well as the handling of cash, where distrust prevailed and elaborate records had to be kept and audited.

In the place of the PPA model came New Public Management or NPM (cf. Aucoin, 1990; Hood, 1987, 1990a, b, 1991; Dunsire & Hood, 1989; Hood & Jackson, 1991; Pollitt, 1993; Pusey, 1991). NPM involved a different conception of public accountability, with different patterns of trust and distrust and hence a different style of accountingization. The basis of NPM lay in reversing the two cardinal doctrines of PPA; that is, lessening or removing differences between the public and the private sector and shifting the emphasis from process accountability towards a greater element of accountability in terms of results. Accounting was to be a key element in this new conception of accountability, since it reflected high trust in the market and private business methods (no longer to be equated with organized crime) and low trust in public servants and professionals (now seen as budget-maximizing bureaucrats rather than Jesuitical ascetics), whose activities therefore needed to be more closely costed and evaluated by accounting techniques. The ideas of NPM were couched in the language of economic rationalism, and promoted by a new generation of "econocrats" and "accountocrats" in high public office.

The term NPM was coined because some generic label seemed to be needed for a general, though certainly not universal, shift in public management styles. The term was intended to cut across the particular language of individual projects or countries (such as the French "Projet de Service", the British "Next Steps", the Canadian "Public Service 2000"). The analogy is with terms like new politics, new right, and new industrial state, which were invented for a similar reason.

As with the disappearance of the dinosaurs, there is no single accepted explanation of this alleged paradigm shift. In fact, emerging explanations roughly parallel the major contending theories of the dinosaurs' extinction. Some

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3 An organizational structure which could clearly be classed as "hierarchist" in the cultural theory of Mary Douglas (1982) and her followers (Thompson et al., 1990).

4 The term "new" does not imply that NPM doctrines appeared for the first time in the 1980s (any more than the "New Learning" of the fifteenth and sixteenth centuries involved the first discovery of Latin and Greek). Many NPM doctrines repackage ideas which have been in public administration since its earliest beginnings. Nor must NPM be confused with the "New Public Administration" movement in the U.S.A. in the late 1960s and early 1970s, which achieved no real mainstream influence (see Marini, 1971).
accounts stress "habitat loss" for the old style arising from post-industrial technology, producing a wholly new model of public administration built around electronic data handling and networking, providing many new niches for accountingization and lowering its direct costs (see Taylor & Williams, 1991, p. 172; Taylor, 1992). Some see the demise of the old model as the result of a sudden shock, with New Right ideas about organizational design coming as a meteorite from out of the blue (as in Quirk's, 1988, idea-centric account of 1980s' deregulation). Some see PPA's fate as a self-induced extinction, as older control frameworks and accounting practices came to degrade the values which they were designed to promote (see Painter, 1990, p. 77; Hirschman, 1982). And yet others interpret the change as caused by a new set of predator interests, such as accounting firms and management consultants, hunting PPA into extinction (see Dunleavy, 1985, 1986, 1991).

However, before such "extinction science" can be developed, we need to be satisfied that some general extinction has actually taken place, and that the new life-form of NPM is everywhere supplanting PPA. Such claims are indeed commonly made both by practitioners and by academic commentators. Aucoin (1990, p. 134), for instance, asserts that: "What has been taking place in almost every government in developed political systems and highly institutionalized administrative states is a new emphasis on the organizational designs for public management ... This internationalization of public management parallels the internationalization of public and private sector economies." Similarly, Osborne & Gaebler (1992, pp. 322-330) write of NPM as a new "global paradigm", claiming that transition to the new paradigm is inevitable "just as the transition from machine rule to Progressive government was inevitable" (p. 325).

If we accept such claims, we would expect to see a process of international convergence and diffusion of NPM ideas in public administration. But this paper argues that the internationalization of the NPM model at least contains important variations, and that no account of the shift from the progressive public administration model to NPM can be satisfactory unless it can account for international leaders and laggards.

NEW PUBLIC MANAGEMENT; THEMES AND VARIATIONS

Themes

The doctrines of public sector management encompassed by NPM have been variously described by different commentators (such as Aucoin, 1990; Hood, 1991; Pollitt, 1993), and some have identified different phases in the development of NPM. However, there is still a good deal of overlap among the different accounts of what NPM entailed. For example, the idea of a shift in emphasis from policy making to management skills, from a stress on process to a stress on output, from orderly hierarchies to an intendedly more competitive basis for providing public services, from fixed to variable pay and from a uniform and inclusive public service to a variant structure with more emphasis on contract provision, are themes which appear in most accounts.

Most commentators have associated NPM with approximately seven dimensions of change, which are summarized in Table 1, together with their associated doctrines, and some speculative ideas about their implications for accountingization. The elements relate to the two cardinal elements of PPA already noted, in that the first four elements of Table 1 relate to the issue of how far the public sector should be distinct from the private sector in its organization and methods of accountability, and the last three broadly relate to the issue of how far managerial and professional discretion should be fenced in by explicit standards and rules. The seven elements are as follows.

1. A shift towards greater disaggregation of public organizations into separately managed "corporatized" units for each public sector "product" (each identified as a separate cost centre, with its own organizational identity in
<table>
<thead>
<tr>
<th>No.</th>
<th>Doctrine</th>
<th>Typical justification</th>
<th>Replaces</th>
<th>Operational significance</th>
<th>Some possible accounting implications</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Unbundling of the PS into corporatized units organized by product</td>
<td>Make units manageable; and focus blame; split provision and production to create anti-waste lobby</td>
<td>Belief in uniform and inclusive PS to avoid undertaps and overlaps in accountability</td>
<td>Erosion of single service employment; arms-length dealings; devolved budgets</td>
<td>More cost centre units</td>
</tr>
<tr>
<td>2.</td>
<td>More contract-based competitive provision, with internal markets and term contracts</td>
<td>Rivalry as the key to lower costs and better standards; contracts as the key to explicating performance standards</td>
<td>Unspecified employment contracts, open-ended provision, linking of purchase, provision, production, to cut transaction cost</td>
<td>Distinction of primary and secondary public service labour force</td>
<td>More stress on identifying costs and understanding cost structures; so cost data become commercially confidential and cooperative behaviour becomes costly</td>
</tr>
<tr>
<td>3.</td>
<td>Stress on private-sector styles of management practice</td>
<td>Need to apply proven private-sector management tools in the public sector</td>
<td>Stress on PS ethic fixed pay and hiring rules, model employer orientation centralized personnel structure, jobs for life</td>
<td>Move from double imbalance PS pay, career service, unmonetized rewards “due process” employee entitlements</td>
<td>Private-sector accounting norms</td>
</tr>
<tr>
<td>4.</td>
<td>More stress on discipline and frugality in resource use</td>
<td>Need to cut direct costs, raise labour discipline, do more with less</td>
<td>Stable base budget and establishment norms, minimum standards, union vetoes</td>
<td>Less primary employment, less job security, less producer-friendly style</td>
<td>More stress on the bottom line</td>
</tr>
</tbody>
</table>

**Rules vs discretion**

<table>
<thead>
<tr>
<th>No.</th>
<th>Doctrine</th>
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<th>Operational significance</th>
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</tr>
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<tbody>
<tr>
<td>5.</td>
<td>More emphasis on visible hands-on top management</td>
<td>Accountability requires clear assignment of responsibility not diffusion of power</td>
<td>Paramount stress on policy skills and rules, not active management</td>
<td>More freedom to manage by discretionary power</td>
<td>Fewer general procedural constraints on handling of contracts, cash, staff; coupled with more use of financial data for management accountability</td>
</tr>
<tr>
<td>6.</td>
<td>Explicit formal measurable standards and measures of performance and success</td>
<td>Accountability means clearly stated aims; efficiency needs hard look at goals</td>
<td>Qualitative and implicit standards and norms</td>
<td>Erosion of self-management by professionals</td>
<td>Performance indicators and audit</td>
</tr>
<tr>
<td>7.</td>
<td>Greater emphasis on output controls</td>
<td>Need for greater stress on results</td>
<td>Stress on procedure and control by collaboration</td>
<td>Resources and pay based on performance</td>
<td>Move away from detailed accounting for particular activities towards broader cost centre accounting; may involve blurring of funds for pay and for activity</td>
</tr>
</tbody>
</table>

fact if not in law, and greater delegation of resource decisions, in a movement towards “one-line” budgets, mission statements, business plans and managerial autonomy). The corporatized style contrasts with the PPA style of providing all public services through “semi-anonymized” organizations within a single aggregated unit, with detailed service-wide rules, common service provision in key areas of operation, detailed central control of pay bargaining and staffing levels.

(2) A shift towards greater competition both between public sector organizations and between public sector organizations and the private sector. The aim for a more competitive style contrasts with the PPA style of ascribing semi-permanent “ascribed” roles to public sector organizations; that is, captive markets which are indefinitely assigned to particular “prestige” producers.

(3) A move towards greater use within the public sector of management practices which are broadly drawn from the private corporate sector, rather than PPA-style public-sector-specific methods of doing business. Examples of the latter include “model employer” aspirations to set an example to, rather than to follow the lead of, private-sector employers in matters of pay and conditions of employment (for example, in equal opportunity or employment of disabled persons) and the traditional “double imbalance” pay structure of public administration, in which lower-level staff tend to be relatively highly paid compared to their private-sector counterparts and top-level staff are relatively low-paid (cf. Sjölund, 1989).

(4) A move towards greater stress on discipline and parsimony in resource use and on active search for finding alternative, less costly ways to deliver public services, instead of laying the emphasis on institutional continuity, the maintenance of public services which are stable in “volume terms” and on policy development.

(5) A move towards more “hands-on management” (that is, more active control of public organizations by visible top managers wielding discretionary power) as against the traditional PPA style of “hands-off” management in the public sector, involving relatively anonymous bureaucrats at the top of public-sector organizations, carefully fenced in by personnel management rules designed to prevent favouritism and harassment.

(6) A move towards more explicit and measurable (or at least checkable) standards of performance for public sector organizations, in terms of the range, level and content of services to be provided, as against trust in professional standards and expertise across the public sector. The old PPA style involved low trust in politicians and managers but relatively high trust in professional expertise, both in a “vertical” sense (that is, up and down the organizational ladder, or between “principals” and “agents” in the new legal-economic language of the economic rationalists) and in a “lateral” sense (that is, across different units of the public sector; cf. Fox, 1974, pp. 72–84, 102–119).

(7) Attempts to control public organizations in a more “homeostatic” style according to preset output measures (particularly in pay based on job performance rather than rank or educational attainment), rather than by the traditional style of “orders of the day” coming on an ad hoc basis from the top, or by the subtle balancing of incompatible desiderata in the “collibration” style of control identified by Dunsire (1978, 1990) as central to orthodox bureaucratic functioning.

These doctrines of NPM link to recurrent debates about how public administration should be conducted, which stretch back at least as far as the major disputes between “legalists” and “Confucians” in the Chinese mandarinate over 2000 years ago (see Kamenka, 1989, pp. 38–39). How far the public sector should be insulated and clearly separated from the private sector in matters of handling business and staff, and how far business should be conducted by professional discretion rather than by pre-set rules or standards, are issues which go to the heart of most doctrinal disputes in public administration, including such major waves of classic public administration thought as the ideas of the German cameralists from the mid-sixteenth
century (Small, 1909), the nineteenth-century British utilitarians (Hume, 1981) and the turn-of-the-century American progressives (Ostrom, 1974). Such doctrines also have profound implications for how public sector accounting is conceived, in the sense of what records are kept, how they are used, and what is costed and measured.

This summary list of course oversimplifies, and there are many interesting counter-trends. Examples of such counter-trends include: the unfashionability of the traditional public enterprise model in conventional market sectors of the economy, coupled with the vigorous adoption of that model for non-marketed public services in several countries; the weakening of older doctrines of metaphytic competition (i.e. public versus private providers; Corbett, 1965) as against doctrines of market testing by franchising; the weakening of trust in professionals while strengthening the hand of managers. Certainly, there is no logical necessity for a public management system to change in all of these seven respects at once. Many variations are possible.

Variations

There are no systematic cross-national studies showing degrees of variation in public management reform in a robust and reliable way. The literature in the area is long in anecdote and general commentary but short on systematic comparison, and comes close to being a data-free environment. There are only isolated fragments and relatively low-grade comparative data from sources like OECD public management reports and cross-national consultancy reports such as the Price Waterhouse/Cranfield study of comparative pay flexibility (Hegewisch, 1991).

But even such fragmentary sources are sufficient to show that not all OECD countries moved to adopt NPM principles to the same extent during the 1980s, and that there were marked differences even within similar family groups such as the English-speaking “Westminster-model” countries (cf. Hood, 1990c). It is particularly notable that some of the OECD’s showcase economies, Japan, Germany and Switzerland, seem to have put much less emphasis on adopting NPM-type reforms (on the seven dimensions indicated in Table 1) in the 1980s than countries like Sweden, New Zealand or the U.K. But it would be hard to argue that those countries were closest to the NPM model at the outset, particularly in respect of use of private sector-style management practices, hands-on management or output controls.

For example, the NPM tendency to decentralize personnel management (such as hiring and job classifications) to operating units away from central oversight agencies was not a marked tendency in Japan, where the National Personnel Authority was if anything strengthened rather than weakened over the 1980s. Administrative reform received much attention, in the form of the three reform commissions over that decade (modelled on the famous 1937 U.S. “Brownlow” Committee on Administrative Management), but the accent seems to have been more on privatization, deregulation and tax reform than on the principles of NPM, with the exception of a small measure of corporatization in the form of more freedom for Ministries to reorganize themselves without specific authority from the Diet. And whereas doctrines of “pay for performance” took a strong hold in countries such as Sweden, Denmark, New Zealand and the U.K., there was no equivalent movement in Germany (partly because pay for performance potentially conflicts with the Basic Law doctrine of equality of pay across particular grades in the public service). Indeed, neither Germany nor Switzerland made any major changes in their public administration at federal level in the 1980s; rather, Verwaltungspflege (a quiet period of cultivation after the reforms of the 1960s which embraced policy evaluation) was a common watchword in Germany over that decade.

But even within the group of countries in which more emphasis seemed to be placed on public management reforms, it is not clear that the direction of change was the same. For instance, the “free commune” experiment in Norway in 1987 and the French move to far-reaching territorial decentralization in 1983
contrasts sharply with centralizing tendencies in the U.K. over the 1980s. Late 1980s reforms in the U.K. and New Zealand were aimed at separating policy setting and service provision (on the grounds that Ministers were not equipped to be managers), while the Australian Commonwealth government took measures intended to strengthen the capacity of Ministers to manage.

Any scoring of variations in the adoption of NPM in the seven dimensions discussed above must necessarily be highly impressionistic. Ideally, we would need both a reliable method of locating a country's initial state at the start of the period in question and the extent of movement over the period (given that a "backward" case might show dramatic change, and yet still be behind an apparently "static" country which started from a higher initial emphasis on the NPM style). At present, we do not have a cross-national information source which could reliably show either sort of variation.

From the fragmentary literature on public management reform over the 1980s, the high NPM group in the OECD countries would be likely to include Sweden, Canada, New Zealand, Australia and the U.K. with France, Denmark, the Netherlands, Norway and Ireland also showing a number of marked shifts in the direction of NPM. At the other end, the low NPM group would be likely to include Germany, Greece, Spain, Switzerland, Japan and Turkey.

These impressions are consistent with the country reports submitted to the OECD's survey of public management developments in 1988 and 1990, supplemented in 1991 (OECD 1988, 1990, 1991). Obviously, these reports are seriously contaminated in a number of familiar ways, mainly because they reflect what the correspondents used by OECD in each country thought it relevant or politic to record (although there was, of course, a general check-list issued by PUMA for these exercises), rather than what a single overall observer might have noted. Moreover (until such time as the OECD's public management profiles are greatly developed), it indicates what was on the government agenda for change rather than the "initial endowment" of each system.

Even so, OECD public management reports can give us a rough indication of the officially perceived agenda of public management change in the 1980s, and serve as a starting point for discussion of variations. The country reports for 1988 and 1990 were carefully examined, and a rough score awarded to each country under each of the seven points of public management doctrine which were mentioned above as components of new public management. A score of 2 was given for developments reported as being in place on each of the dimensions, 1 for developments under active discussion or experimentation and 0 for nothing reported in the area.

Clearly, such an exercise is only useful for identifying outliers, and not for making any fine differentiations. The extremes were taken as cases whose overall scores (summed across all seven dimensions) were more than one standard deviation away from the mean. The high and low cases identified in this way fitted sufficiently well with other impressionistic views of variation in NPM over the 1980s to serve as a basis for a discussion as to what might be responsible for putting a country at one or other of the extremes.

WHY THE VARIATIONS?

As noted earlier, there are several different possible ways of explaining the rise of NPM. This section explores four conventional accounts of public sector change (relating such change to "Englishness", party politics, government size and macroeconomic performance) before suggesting a further interpretation couched in terms of institutional endowments.

"English awfulness"?

Some commentators (notably Pollitt, 1993) have implied that NPM was mainly an Anglo-American phenomenon of the Reagan/Thatcher era. But this view seems difficult to sustain. If nothing else, it ignores the high degree of
emphasis placed on NPM in South Africa, Hong Kong, Australia and New Zealand (for the latter, see Pusey, 1991; Scott et al., 1990; Yeatman, 1987).

However, it might be possible to broaden the view of NPM as an Anglo–American preoccupation to the idea that it reflects what Castles ironically calls “the awfulness of the English”. By this phrase, Castles means the relatively poor economic performance and arrested development of welfare state policies which, he claims, characterize the English-speaking countries (Castles, 1989; Castles & Merrill, 1989, pp. 181–185). It is, for example, noticeable that the high scorers on NPM emphasis are mostly English-speaking countries (and hence clearly candidates for “English awfulness à la Castles). The low scorers, in contrast, are all non-English-speaking countries.

Moreover, an “English awfulness” explanation might fit with a view of NPM as representing international convergence on a common public management style. On Castles’ analysis, the English-speaking countries lost their formerly distinctive “high-direct employment” feature of public management between the 1960s and the 1980s, and NPM could be interpreted as part of that process of coming into line with non-English-speaking countries. Particularly with respect to the practice of accounting techniques and management consultancy, diffusion of the new NPM ideas might have been expected to spread more readily across countries with the same language and similar legal traditions.

But it seems too simple to attribute NPM to English awfulness alone. For example, Sweden appears as a high scorer on NPM emphasis, which would be particularly damaging for an interpretation built on a Castles-type English awfulness factor. Moreover, Denmark, the Netherlands and France are also cases which score relatively high on NPM emphasis, and two of them (Denmark and the Netherlands) reported strong development of variable pay in recent years to the 1990 Price Waterhouse/Cranfield project (Hegewisch, 1991, Table 3). NPM seems to be more than just another “English disease”.

### Table 2. NPM emphasis and political incumbency

<table>
<thead>
<tr>
<th>Political incumbency emphasis</th>
<th>“Left”</th>
<th>“Centre”</th>
<th>“Right”</th>
</tr>
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<tbody>
<tr>
<td>NPM Emphasis</td>
<td>Sweden</td>
<td>Australia</td>
<td>U.K.</td>
</tr>
<tr>
<td>High</td>
<td>France</td>
<td>Austria</td>
<td>Denmark</td>
</tr>
<tr>
<td>Medium</td>
<td>Greece</td>
<td>Germany</td>
<td>Japan</td>
</tr>
<tr>
<td>Low</td>
<td>Spain</td>
<td>Switzerland</td>
<td>Turkey</td>
</tr>
</tbody>
</table>

Sources: analysis based on OECD PUMA reports and on political incumbency data for OECD countries drawn from Gorvin (1989) and Keestng’s Contem~Archfves.

It is obviously debatable whether U.S.A. should be scored as “centre” or “right” for these purposes. In many “does party matter” studies, it is excluded, on the grounds that it is essentially unclassifiable. Given its separation of powers, it is here counted as a centre–left coalition for 1980, a centre–right coalition for 1981 to 1986 and a centrist coalition for 1987 to 1990.

**Party politics**

Some commentators explain PPA’s demise in rather similar terms to the predator theorists of the dinosaurs’ extinction. The notion is that the old structure has been subverted by the development of “New Right” interests who stand to benefit in various ways from dismantling the PPA model.

At one level, the demise of traditional PPA is often attributed to the advent of New Right government in the 1980s and particularly to the influence of Ronald Reagan and Margaret Thatcher, who aimed to roll back big government and state-led egalitarianism and welfareism, and to remould what was left of the public sector in the image of private business (see Pollitt, 1993). If NPM was sparked by such figures, we would expect its development to be most marked in countries which were governed by right-wing parties during the 1980s.

\[5^It is obviously debatable whether U.S.A. should be scored as “centre” or “right” for these purposes. In many “does party matter” studies, it is excluded, on the grounds that it is essentially unclassifiable. Given its separation of powers, it is here counted as a centre–left coalition for 1980, a centre–right coalition for 1981 to 1986 and a centrist coalition for 1987 to 1990.\]
Table 2 gives a rough indication of the extent to which OECD countries were governed during the 1980s mainly by parties on their left, their right or their centre. For this exercise, a score of +1 was given to each OECD country for each year of incumbency in government by a political party to the right of that country’s political spectrum, and a score of -1 for each year of incumbency by a party to the left of that spectrum; 0.5 was given for each year of incumbency by a centre-right coalition and -0.5 for each year of incumbency by a centre-left coalition, with 0 for a grand coalition (as in the Austrian case). Countries which score hi (more than 1 S.D. above the mean) are taken as “right” in incumbency terms, and countries which score lo (more than 1 S.D. below the mean) are taken as “left” in incumbency terms. “Centre” scorers are the rest.

NPM scorings are based on the country reports to OECD on Public Management (1988 and 1990), with a maximum, score of 2 on each of seven dimensions of doctrine, as described earlier. “Hi” scorers are those whose overall score is more than 1 standard deviation (S.D.) above the mean score; “lo” scorers are those whose overall score is more than 1 S.D. below the mean score. “Medium” scorers are the rest.

This exercise is useful only for first approximations, and it may be that a better test would be a series of “before” and “after” looks at cases of changes in government. Scoring political incumbency involves problems which are familiar in the “does politics matter?” debate over macroeconomic policy in political science. There is no established method for comparing degrees of “rightness” and “leftness” across countries, and there are clearly different “qualities” of rightness and leftness (for example, participatory versus hierarchical emphases in socialism). Presidential and federal systems clearly cause complications (for example, the U.S. would count as “right” only in Presidential terms for the 1980s). Coalition/PR system cases tend to bunch in the middle, so that the outliers tend to be non-PR systems like France and Japan, which may get disproportionate weight in the analysis. All that such a scoring exercise does is to give us a first cut as to whether OECD countries were governed during the 1980s mainly by parties on their left, their right or their centre.

Crude as the data are, however, Table 2 shows up the difficulties in the popular idea that NPM was closely associated with incumbency by “right” governing parties in the 1980s. Sweden is the most obvious misfit for such an idea. It is a country which shows apparently high NPM emphasis during the 1980s, but also scores fairly high for left political incumbency with eight years out of the decade under Social Democratic governments. Indeed, Sweden is conventionally taken as the leading case of the social democratic alternative to liberal capitalism. And at the other extreme, there are unambiguously “right” cases, like Japan and Turkey, which seem to score distinctly low on the NPM emphasis scale.

Of course, such results are only surprising if we expect the incumbency of different political parties to lead to different public policy outcomes. Other analyses of party competition might lead to different expectations. An example is Scharpf’s (1987) “nested game” model of the dynamics of party competition, in which two rival “left” and “right” parties compete for the fickle favours of floating middle-ground voters against a set of variant macroeconomic conditions produced by a game between incumbent governments, labour unions and central banks. Modifying that framework only slightly, we could posit a “party competition” game played between right and left wing parties (à la Scharpf) and a “public management game” played between incumbent governments and public managers/top bureaucrats or professionals (substituted for Scharpf’s macroeconomic policy game played between governments and labour unions). In the second game, incumbent politicians choose between tough and tender approaches to public managers, and the latter choose between a cooperative and uncooperative approach to politicians. Table 3 outlines such a game. Clearly, politicians would prefer to be in cell (1), bureaucrats and managers in
TABLE 3. Politician–bureaucrat public management game

<p>| Bureaucrats/ | Politicians       |</p>
<table>
<thead>
<tr>
<th>managers/public servants</th>
<th>Tender</th>
<th>Tough</th>
</tr>
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<tbody>
<tr>
<td>Cooperative</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>Outcome: smooth running medium cost politicians exploit public service ethos for cheap and effective public management</td>
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<table>
<thead>
<tr>
<th>Noncooperative</th>
<th>(3)</th>
<th>(4)</th>
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<tbody>
<tr>
<td>Outcome: bureaucrats exploit politicians' goodwill for high cost public management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Outcome: high cost administrative chaos</td>
<td></td>
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</tr>
</tbody>
</table>

cell (3); such a game therefore has a tragic bias away from cell (1) and towards cell (4).

If such a model of party competition is adopted, it becomes quite conceivable that incumbent social-democratic governments (such as those in Sweden or New Zealand in the 1980) might go just as far as “bourgeois” governments (and possibly even further) in moving towards a tough approach to public management, because they have nowhere else to go, and need to work harder to establish credibility in this area with wavering middle-class voters (adapting Scharp’s ideas of asymmetrical choice by the middle socioeconomic group).

From such evidence, it would seem that if the rise of the New Right influenced the demise of the old PPA model, it was not simply through right-wing parties holding office. It looks more like a general process of policy diffusion than a process in which policies vary with party incumbency. A modified version of the rise of the New Right explanation would therefore need to place more stress on the eclipsing of the old public administration coalition (particularly the public service labour unions) by an NPM coalition drawn from accounting firms, financial intermediaries, management consultants and business schools, along the lines of Patrick Dunleavy’s (1986) account of how policy booms develop through a coalition of professional and corporate interests.

Alternatively (perhaps additionally), the change might be attributed to the recolonization of the public service from inside rather than to an assault from outside. Some contemporary commentators on the rise of NPM, notably Yeatman (1987, pp. 350–351) and Pusey (1991) have applied a form of “new class” analysis to the process, in the tradition of Burnham’s (1942) analysis of managers as a new class. They claim that the upper echelons of the public service are increasingly being occupied by a new class of “econocrats” (and perhaps “accountocrats”, certainly in the New Zealand case), who were not fired up into public service ideals by close experience of the rigours of ordinary life in the depressed 1930s or World War II and whose education in narrow neoclassical economics (uncontaminated by the humanities or even by the other social sciences) in elite universities is claimed to make them natural sympathizers with New Right ideas.

It may be too that such a new generation of econocrats and accountocrats would be much more prone to “bureau-shaping”, as analysed by Patrick Dunleavy (1985, 1991); that is, the propensity of top public managers to aim for high-status analytic work in collegial elite units and to distance themselves from front-line supervisory roles in favour of a “super-control” position which offers more job satisfaction and less tedious routine. Once bureaucrats adopt such preferences, there is nothing against their interests in enthusiastically cutting service delivery budgets down the line, or in breaking up and deprivileging the world of public service delivery, so long as the power and status of central agencies is retained or augmented.

A response to fiscal stress and poor macroeconomic performance?

Another common way of interpreting the demise of the old PPA model is to link it with changing social conditions, akin to the “loss of habitat” theory of dinosaur extinction. NPM is often interpreted as a response to fiscal stress
and resistance to extra taxes. Underlying the onset of such fiscal stress may be the changes in income level and distribution, weakening the "Tocqueville coalition" for government growth in the electorate; that is, an electoral majority of voters at below-average incomes who stand to benefit from increasing public spending financed from income taxes. A move towards a more diamond-shaped income distribution pattern lays the conditions for a new tax-conscious winning electoral coalition, and NPM can be represented as the approach to public management which fits this new tax-consciousness in marginal electorates; for example, by keeping the overall public-sector pay bill down by means of performance pay rather than by across-the-board pay rises in the traditional style.

However, if NPM is best explained as a response to fiscal stress and government overload, we might expect NPM to be most strongly developed in those countries which score highest on government spending and employment and/or have a history of relatively poor macroeconomic performance on the conventional indices of GDP growth, public debt levels, inflation and unemployment rates (such as Greece or New Zealand).

Indeed, NPM has frequently been interpreted (for example, by trade union critics) as little more than a means of slimming down big government, and saving on resources in the public sector. If slimline public management is what counts in competition among industrial (or post-industrial) states for economic advantage, we would expect to see convergence, with the countries which are least slimline at the outset making the most dramatic strides in adopting NPM doctrines (because those are the countries which would have the most to worry about in terms of comparative advantage). Equally, countries with small-sized public bureaucracy might have proportionately less to gain from putting greater stress on such doctrines.

Finding useful indicators for government size is no easier than arriving at robust measures of the nature of party political incumbency. Indeed, it is commonly observed that conventional measures of government size can conceal as much as they reveal (Peters & Heisler, 1983). But if we look at four conventional measures of government size (that is, government employment as a percentage of total employment, government expenditure as a percentage of GDP, social security expenditure as a percentage of GDP and tax revenue as a percentage of GDP), it does emerge that the two most slimline governments within OECD (Japan and Turkey) placed a low degree of emphasis on NPM during the 1980s, just as would be expected. But not all outsize governments in OECD placed high emphasis on NPM in the 1980s, and the medium-sized governments also varied considerably in the emphasis which they laid on NPM. So if government size plays a part in determining NPM emphasis, it is probably a subsidiary one rather than the single determinant.

Similarly, the link between macroeconomic performance and the degree of emphasis on NPM seems to be far from clear-cut. NPM is often interpreted as a reflection of 1970s' economic chickens coming home to roost (i.e. the record of past or current economic performance), and a return to hard-headed realism. But there appears to be no automatic relationship between the emphasis placed by different OECD countries on NPM and their level of performance on the four conventional macroeconomic indicators in the post-oil shock era of the 1970s, i.e. 1974–1979.

Table 4 gives some indicative data on this point. It is true that some of the macroeconomic success stories of the 1970s are found in the low NPM emphasis group, as might be expected. Countries like Japan and pre-1990 Germany are in this group. But not all of the high performers of the 1970s are in that group, and nor are all the economic "basket cases" of the 1970s (in terms of overall scores on GDP growth per head, CPI growth and unemployment) in the high NPM emphasis group. And even if we relate degrees of NPM emphasis to current economic performance (on the same basis) over the 1980s, the same puzzles arise, as can also be seen from Table 4. It seems that macroeconomic
### Table 4. NPM emphasis and economic performance 1974–1979 and 1980–1988

<table>
<thead>
<tr>
<th>Economic performance category</th>
<th>NPM emphasis 1980s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hi</td>
<td>Medium Hi</td>
</tr>
<tr>
<td>Mixed</td>
<td>NZ (4)</td>
</tr>
<tr>
<td>Medium Lo</td>
<td>U.K. (4)</td>
</tr>
<tr>
<td>Low</td>
<td>NZ (1)</td>
</tr>
</tbody>
</table>

Source: analysis based on *OECD Historical Statistics.*

Key to economic performance indicators:
- Hi = all available indicators in hi category;
- Lo = all available indicators in lo category;
- Medium hi = 25% or more of available indicators in hi category and no indicators in lo category;
- Medium lo = 25% or more of available indicators in lo category and no indicators in hi category;
- Medium and mixed = (a) all available indicators in medium category; (b) available indicators distributed across all three categories (hi medium and lo).

Notes:
1. No indicator available for unemployment rates for this case for this period.
2. No indicator available for GDP growth per head for this case for this period.
3. No indicator available for CPI growth for this case for this period.
4. No indicator available for government debt relative to GDP for this case for this period.

Performance alone is not sufficient to explain the rise of NPM.

As with Table 2, the placings are indicative and "broad-brush". NPM scorings are as described on p. 101. Economic performance scorings are based on OECD Historical Statistics 1974–1979 and 1980–1988. Four conventional series were used: average unemployment rates as a percentage of total labour force; average rates of growth in real GDP per capita; average growth rate in consumer price index; and average public debt levels as a percentage of GDP. For each of these indices, the countries were divided into "hi", "medium" and "lo" scorers by the method used as before (i.e. more than 1 S.D. away from the mean counted as "hi" or "lo", and the remainder "medium"), except that for the CPI index two outliers (Turkey and Iceland) were taken out, in that both had scores more than twice the mean and the effect of including them was to put almost all countries in the "medium" category.
Initial endowment

Popular wisdom notwithstanding, there seem to be important cases which do not readily fit standard explanations for why NPM developed in the 1980s. Another possible explanation is the baseline, or initial endowment from which different administrative systems start.

Specifically it could be argued that for an administrative system to move significantly towards NPM, it must be set up at the outset in such a way as to provide both motive and opportunity (conventional elements of detective fiction) for incumbent politicians to want to shift the administrative system sharply in that direction.

We could argue that motive in this case might be expected to consist mainly in the promise or hope of resource saving from the adoption of NPM measures, and could therefore be expected to be proportionately higher in a context of outsize government and/or acute fiscal stress associated with poor macroeconomic performance than in the context of slimline government and/or strong macroeconomic performance. Opportunity might be expected to depend on the existence of some "Archimedean point" from which would-be reforming politicians can influence the public sector as a whole. For instance, in a country like Switzerland, where even the number of Ministries (seven) in the federal government is set out in the constitution and has not changed for 150 years, the opportunity for politicians or top officials to reshape public administration is relatively slight, because there is effectively no difference between constitutional reform and administrative reform. But in countries like the U.K., where there is no constitutional check to administrative reform and politicians at the centre can change the entire system, opportunity is much greater. It would therefore seem that a crucial variable for opportunity is the extent to which there is an integrated public service controllable from a single point and without significant jurisdictional breaks (for example, without independent public bodies beyond the reach of control by a single set of elected politicians, like the German Bundesbank).

Table 5 puts these two aspects of initial endowment together to identify four polar types: what is labelled the "Japanese way", where public service integration in this sense is high but collectivism (in the sense of the relative size of the public sector in spending and employment) is comparatively low; the "Swedish way", where both public service integration and collectivism are high; the "American way", where both integration and collectivism are low; and the "German way", where collectivism is high but integration is low. These labels are used as convenient shorthand terms, and it is not suggested that each of these countries exactly corresponds to the stereotype in all particulars.

On this basis, some countries would be much more likely to move NPM-wards than others, at least in the first round of public management reforms. For the polar type labelled the "American way", there would on these assumptions be neither motive nor opportunity to make a major shift NPM-wards. No one would be in a position to order the changes, and in any case the gains would be expected to be less than in an outsize government system. For the "Japanese way", there would be opportunity but again little motive because the system is starting from the "small government" box. And for the "German way", there would be motive, but no opportunity.

Only in the polar type labelled the "Swedish
way" would there be both motive and opportunity: motive, because outsized government makes resource saving of key importance in conditions of growing fiscal stress, and opportunity, because there are central points of leverage over the entire public service. Hence it might be argued that countries in the "Swedish way" box (like the U.K., France, the Scandinavian countries and possibly the Netherlands) would be the type most prone to make rapid strides towards the development of NPM in the 1980s.

A "variable diffusion" model of this kind can help to explain what more generalized explanations of NPM on their own cannot: namely, why a number of key OECD countries under governments of different political stripes shifted to NPM in the 1980s while others moved relatively little in that direction. All of the OECD countries which seem to have placed the highest stress on replacing PPA with NPM during the 1980s started from the "Swedish way" box in Table 5 at the baseline, and some of the countries which put medium-to-high stress on NPM, such as France and Denmark, also started as "Swedish way" cases in this sense. Of course, such an explanation is not independent of habitat-change accounts stressing the effect of fiscal stress and tax-consciousness, but it does explain why a similar habitat change might produce different effects in different institutional systems.

CONCLUSION

Compared to the voluminous literature on deregulation and privatization, accounts of the rise of NPM are less developed and sparser. We still lack clear measuring rods for comparing public management style, and the discussion here is relatively speculative. Distinguishing surface change from deep change will always be difficult in public organizations. However, four tentative conclusions can be drawn from this highly exploratory exercise.

First, pace Aucoin, Osborne and Gaebler and other "global change" interpretations, it is not clear that the old PPA model of accountability has collapsed everywhere, or to the same extent. Even though we do not know how to measure cross-national differences finely, there do appear to be leaders and laggards in the process, and it is interesting that some of the notable laggards are leading countries in the international economy, posing something of a challenge for the view that public management internationalization parallels economic internationalization. If a policy dinosaur is going into extinction here, the process is still far from complete. Hence the possible relevance of a variable diffusion model based on initial institutional endowment, as discussed in the last section. And if the different institutional endowments lead to permanent differences (rather than simply governing the speed of PPA extinction), we may need to be cautious about assuming that changes in public sector accounting are likely to be global.

Second, the conventional explanations of change in the public sector do not on their own seem fully to explain observed variations in the degree to which NPM reforms were taken up by OECD states in the 1980s. For instance, ideas such as the view that NPM is all about right-wingers in office, slimming down outsized government or responding to macroeconomic failure (in the past or present) all come up against awkward cases which do not seem to fit expectations when we look across the OECD countries. But that does not of course rule out such items as part of a broader multi-factor explanation of the shift to NPM.

Third, there appears to be no simple relationship between macroeconomic performance levels and the degree of emphasis laid on NPM.

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6 Indeed, Germany itself is an ambiguous case, since its "large government" character derives more from high public spending than high public employment. If size of public employment is the key to NPM motivation, there would therefore be no more motivation than under the "American way".
A working hypothesis might be that the showcase economies were not under strong pressures to shake up their public management systems and that the more “basket-case” economies lacked the capacity to do so, so that those making the biggest strides with NPM are likely to be those in the medium-to-poor macroeconomic performance bands.

Fourth, there seems to be no simple relationship between the political stripe of governments (in so far as that can be gauged) and the degree of emphasis laid on NPM. Are we to assume that Downs’ (1957) classic ideas about policy convergence in party competition better explain apparent consensus on NPM than Hibbs’ (1977) ideas about policy divergence? Or could it be that apparently similar measures have been adopted in different political circumstances for diametrically different reasons and with quite different effects? After all, such things often happen in administrative reform. Perhaps the classic historical case is merit hiring for civil servants, which, according to Hans Mueller (1984), was adopted by eighteenth-century Prussia to bring the middle class into the public bureaucracy and by nineteenth-century Britain to keep them out.

On similar lines, it might be argued that NPM has been adopted in some contexts to ward off the New Right agenda for privatization and bureaucide and in other countries as the first step towards realizing that agenda. Much of NPM is built on the idea (or ideology) of homeostatic control; that is, the clarification of goals and missions in advance, and then building the accountability systems in relation to those preset goals (cf. Dunsire, 1990). But if NPM has itself been adopted for diametrically opposite reasons in different contexts, it may, ironically, be another example of the common situation in politics in which it is far easier to settle on particular measures than on general or basic objectives. That too may suggest that we should be cautious about assuming that public-sector accounting is likely to enter a new age of global uniformity, at least in the sense of the wider public management context within which it operates.

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