New public management: Is it really new?

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Abstract

The New Public Management has been in existence and debated since the early 1980s. Some critics, on the one hand, argue that it embraces many new concepts and propositions. However, some scholars, including Frederickson, on the other hand, assert that New Public Management offers nothing new. Rather, it is an old wine in a new bottle. This study suggests that New Public Management drastically affects governmental production and delivery of the goods and services, by introducing many new concepts and propositions to the field of public administration. Nevertheless, it presents conflicting proposals and strikingly different juxtapositions.

Key Words: New Public Management, Reinventing Government, Market-Orientation, Managerialism, Efficiency.
Özet


Anahtar Kelimeler: Yeni Kamu İşletmeciliği, Piyasa-Odaklı Kamu Yönetimi, Kamuda Verimlilik.
Introduction

The New Public Management (NPM) has been widely debated in the field of public administration since the early 1980s. It embraces many concepts and concerns including decentralization, privatization, customer-orientation, result-orientation, cutting red tape, competition, productivity, and efficiency. However, critics question whether it is new or even a coherent set of arguments. H. George Frederickson (1996) suggested that NPM is old wine in a new bottle. He implied that many of NPM’s concepts can be traced back to earlier approaches in the field. Is NPM really old wine in a new bottle? Is anything “new”? Are there similarities between existing formulations and NPM? Are there new or strikingly different juxtapositions of concepts and propositions?

New Public Management (NPM) is a new philosophy in governmental service production and delivery to citizens. It is, according to Shafritz (2004:243), managerialism applied to the functions and activities of government. Shafritz (2004:188) defines managerialism as “an entrepreneurial approach to public management that emphasizes management rights and reinvigorated scientific management.” NPM, in short, is largely derived from private sector management and its entrepreneurial characteristics and implies that if government performs like the private sector, it will be effective and more efficient. And citizens, as customers, will be more satisfied with the government as well.

NPM has been in existence since the early 1980s. It has been under discussion since that time, as affects public administration throughout the world. Some scholars have argued that it is capable of solving all problems in the field, whereas others have claimed that it is problematic. This study aims to present new insights for comprehension of the concept through a discussion of Frederickson’s old wine metaphor. To fully understand New Public Management, however, one needs to understand the evolution of the field of public administration.

According to many scholars, public administration as an independent field started with The Study of Administration, by Wilson in 1887 although some argue that the origin of administrative studies can be traced further back (Rutgers, 1997:276-300). If Wilson’s work is accepted as the starting point of the field, various scholars have analyzed the evolution of the history of public administration in different ways. Rutgers (2003:1-36), for example, considers the history of public administration as history of dichotomies. He divided the history of public administration into three dichotomies: politics-administration dichotomy, private-public dichotomy and state-society dichotomy.
1. Henry’s Paradigms

Probably the most influential and most cited study about the history of public administration is Henry’s five paradigms. According to Henry (2004: 30), public administration emerged from the debate about the politics-administration dichotomy between 1900 and 1926 as the first paradigm. The widespread belief among scholars at this time was that public administration must be separated from politics because politics is bad and partial, and neutrality in administration is vital for democracy (see also Wilson, 1887; Goodnow, 1900). Public sector activities need to be separated from politics so that government can be impartial in the production and delivery of goods and services for citizens.

The second paradigm, the principles paradigm, developed during 1927-1950, indicated that if public administration is a science it must include and operate according to its own principles. These principles were developed especially as a result of the studies of Taylor (1911:43-45), Gulick (1937:90-98), White (1926:56-63), and Willoughby (1927:46-49). A challenge, however, to the principles approach was presented by Barnard (1938:104-108), for the most part, Mayo (late 1920s and early 1930s), Follet (1926:64-71), and Waldo (1948:150-154). These scholars and scientists basically argued that the principles approach treats human beings as machines and principles should not be unquestionable. In fact, in this paradigm, the principles are untested and accepted as true, like proverbs (Simon, 1946:136). One of the most important features of science is its falsifiable nature (Chalmers, 1999:62); thus, if you cannot test the principles of public administration, it is difficult to consider it as an independent field. The principles approach, accordingly, is not considered a comprehensive method to establish public administration as a scientific and an independent field.

The paradigm of public administration as political science, the third paradigm, developed between 1950 and 1970, argued that public administration cannot be separated from political process. Politics is creative and can be used to find solutions to the problems of society. Public administrators inevitably become involved in politics. Politics must use expertise of public administrators to solve societal problems (Dror 1967:255). Indeed, as Henry (2004: 40) stated, political science is a “mother discipline” for public administration and can provide a base for public managers to employ democratic values in their provision and delivery of public goods and services.

The fourth paradigm, according to Henry (2004: 41), is public administration as management, developed between 1956 and 1970. In this paradigm, scholars argued that
management is the same everywhere; hence, principles and rules of management can be applicable to public administration. Because public administration requires expertise and specialization like the private sector it may be desirable to consider public administration from a private management point of view because private management seems more effective and efficient than public administration (see Hood, 1991:504; Allison, 1979:402).

The fifth paradigm, developed between the 1970s and the present, is public administration as public administration in which scholars have argued that public administration is a distinct area with its own dynamics and should be studied independently. It is different from private management in that it has its own fundamentals and dynamics. As such, this consideration of the field promoted it toward an autonomous position (Henry, 2004:48), during which new public administration schools were opened, and master’s and doctoral programs in public administration were administered. In other words, public administration advanced to its current position within this paradigm.

2. New Public Management

a. Roots and Underlying Theories of NPM

Proponents of NPM are influenced primarily by the fourth paradigm and argue, for the most part, that the private sector works better than public administration. As a result, public officials may use principles from the private sector in their pursuit of effectiveness and efficiency and they may solve problems of the public sector innovatively, rather than with traditional methods. While it can be stated that public administration, therefore, should be managed like the private sector (Hood, 1991:504; Kettl, 1995:2; Bavon, 1998:66), this concept needs further discussion and consideration. Several theories and concepts that gave rise to the idea of managing public administration like a private-sector-business should be identified.

It is essential to note the economic theories that underlie NPM. Moe (1984:742-758) stated that there are basically four theories underlying NPM; transaction cost theory, principal-agent theory, property-rights theory and public-choice theory. Transaction cost theory refers to the cost related to any given transaction. The question here is: who performs the transaction better: a public or private agency? At the core of NPM is a belief that the private sector performs better than public administration and the question of why public administration is necessary. The property-rights theory indicates that private ownership is important to having effective and efficient organizations; hence the need to privatize public organizations (POs) since private ownership is essential for economic growth (Bavon,
1998:66). When privatized, public service can be produced and delivered effectively and more efficiently.

Principal agent theory also underlies NPM. In democracies, citizens are principals and they elect representatives, as agents, on their behalf. Elected officials, however, cannot execute all the public works and produce all the services and goods that citizens demand. Hence, they hire public employees as their agents to meet the demands and needs of citizens. Principal agent theory asserts that public administrators are agents of principals, in this case the citizens, in a democratic political system. Also, the legislative and executive branches of government can be considered as principals of public administrators because they are elected by citizens to represent them. Close and constant monitoring may be necessary, if agents do not perform well, according to principal-agent theory. Public choice theory also underlies NPM. It states that policies must reflect the wishes and serve the interests of the majority, as citizens are self-interested customers. If market signals are followed, public sector managers can determine what the majority wants; an accumulation of the self-interests of individual customers enables government to estimate public interests. If centralization of PA causes problems for the majority of customers and local issues are more important, then we need to decentralize the administration.

b. The Rise of NPM

The rise of NPM coincided with the Reagan presidency in the United States. Reagan emphasized public administration reform because of the huge growth in size and deficit of the government. Hood (1991:503) related the rise of NPM to four trends throughout the world; the rise of an international agenda, the rise of privatization, an increase in economic thinking, and reverse growth in staffing and spending in government. Also, the notion that the private sector functions better than the public sector was widespread, not only among scholars, but also in society in general. Paying for performance, just like in the private sector, was also promoted in NPM.

Especially, as a result of the study by Osborne and Goebl in 1992, in which authors described the ways to make government effective and more efficient, NPM gained huge support in the halls of government throughout the world. The Clinton government, especially vice president Gore (1993:461), also emphasized the need for reform in government and identified a new way of effectively fighting huge deficits and cutting spending in staffing and in delivering goods and services to citizens. Since then NPM has been in practice throughout the world.
c. Basic Principles of NPM

Prior to an examination of the basic principles, we need to consider the behavioral assumptions of NPM. These assumptions can be summarized as: methodological individualism, opportunistic behavior, bounded rationality, and utility maximization (Moe, 1984:739-777). Methodological individualism refers to the concept that to understand what a collective group wants we should focus on individual interests, and we can assume collective interest by simply accumulating individual interests (Ostrom and Ostrom, 1971:207). The most basic premise of NPM, perhaps, is that the accumulation of narrowly defined individual self-interests truly reflects the interests of the greater society (deLeon and Denhardt, 2000:89). Utility maximization states that people are self-interested and seek to maximize their utility (Zey, 1997:92). Bounded rationality refers to the idea that human capacity and cognitive abilities are self-limited in order to know everything and to eliminate uncertainty (Zey, 1997:93-96; see also Simon, 1976 for an extensive discussion of bounded rationality). Opportunistic behavior indicates that people combine guile with self interest.

Many scholars hold four basic tenets in regard to the NPM movement: 1) cut red tape, since it constrains public administrators, 2) put customers first for effective and efficient service, 3) empower employees, so that they can use discretion in uncertain situations and work better, and 4) produce more for less (Gore, 1993:465). Accordingly, public administrators may be expected to have increased power to produce more with fewer funds and resources. Thus, it can be said that efficiency is at the core of NPM, since an economic view and production of more for less has been promoted. Kettl (2005:1) maintained that NPM has several characteristics, including productivity and market orientation. He also argued that NPM produced a policy change in government, because the function of government as both a purchaser and producer of a service or product has been identified with the emergence of NPM.

Osborne and Goebler (1992), in their masterpiece Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector, probably the most cited handbook of NPM, outlined ten principles of NPM. Government must be catalytic; that is, government must strike a balance between limited public resources and needs. Government is community-owned; thus, it should empower its citizens and community to solve their own problems. Government must be competitive to achieve greater efficiency. Government must be transformed from a rule-driven into a mission-driven system, with the budget being designed according to its mission. Government must be dedicated to reaching its goals, and
that is why, it must fund outcomes rather than inputs. Further, government must restructure its functions to meet citizen’s needs; citizens should be considered as customers and their satisfaction must be a priority for government employees. Therefore, government must be market-oriented, with market signals determining government service provision, and public sector managers must find ways to produce more with limited resources. In other words, government should be enterprising rather than just spending and using resources. Society needs an anticipatory government that prevents problems before they occur rather than curing existing ones. Government also should be decentralized, since a decentralized authority enables public employees to be empowered and behave as entrepreneurs. Government must cut red tape, be entrepreneurial, and take risks to be effective. Officials in the public sector should be held accountable for achieving results rather than following rigid rules and standards.

d. What Is New and What Is Not in NPM?

NPM is not completely different from earlier approaches and concepts of the field of public administration. Some of the previous assumptions and concepts were either similar or the same. The concept of productivity, for example, has been emphasized since the work of Taylor in 1911, *The Principles of Scientific Management*. Since then, productivity has been placed at the core of public administration and, thus, made into a priority. This is, clearly, not a concept that NPM introduced to the field of public administration.

The concept of mission-driven government was not new either. Public administration, as White (1926:57) highlighted, is the management and organization of men and materials to accomplish purposes of the government. In other words, public organizations are supposed to be mission driven. POs, obviously, are established to pursue certain missions, and the activities and policies within any given public organization are driven by their missions. Thus, the concept of mission-driven organizations, clearly, was not a new one introduced by NPM.

On the other hand, NPM introduced a number of new concepts and propositions into public administration, as opposed the ideas of Frederickson who argued that NPM offered nothing new. Obviously, that approach will be too simplistic to analyze NPM, since such an approach tends to minimize the importance of NPM and is prone to miss the vital innovations it brought to the field and the new insights it provided into the tasks and responsibilities of public administrators.
NPM, first of all, brought a new way of thinking to government. The market orientation and efficiency being the main determinant of public sector managers were relatively new concepts in government, although scholars have promoted efficiency and businesslike approaches in earlier formulations. Although Taylor (1911:45), Gulick (1937:94-95) and many other scholars emphasized the importance of efficiency, NPM was the first approach that emphasized efficiency as the sole pursuit of government officials. This was definitely a new way of thinking in public administration. Obviously government may be considered as doing much more than just pursuing efficiency (Ventriss and Candler, 2005:354), yet NPM places efficiency at the heart of public administration.

In addition, competition in government services has never been addressed very compellingly before; it is something new to public administration. The underlying logic behind this concept is that if we allow POs to compete they will serve the public better with the utmost efficiency. Before NPM was introduced, the goals of POs were assumed to be, mostly, the effective execution of public policies to serve constituents and clients. But NPM introduced the concept of competition to the government to induce POs to perform better.

Empowering public administrators, another important proposition of NPM, can also be considered a relatively new concept. Some scholars, such as Frederickson (1971:316) and Krislov (1974:354), emphasized that public administrators must be powerful and must be active in the policy-making process and execution of policies to ensure social equity and representation; nevertheless, NPM is the first policy to overwhelmingly support the empowerment of employees. Thus, public administrators are expected to take risks and lead POs toward more efficient public service provision and delivery (Terry, 1998:197). They must be empowered to ensure change in government.

Privatization was another proposition that was new, although there was some prior debate about decentralization of public goods and services. Privatization of POs was a new way of thinking in public administration, since it was believed that the private sector outperforms the public sector and private ownership is necessary for economic growth (Hood, 1991:503). Privatization also became very popular because the government grew very big in size and number of staff. It can also be argued that the contracting out of services has increased due to the rise of NPM because, as mentioned above, the dominant assumption in NPM was that the private sector outperformed and was more efficient than the public sector. If this is true, it would be better for government to contract out governmental services...
instead of performing those services itself. Contracting out services can also be considered as a way of decreasing the number of staff and inefficiency in government.

Customer orientation is a completely new concept in government. Before NPM, citizens were considered as constituents and clients and the government was assumed to row its citizens. However, NPM considers citizens as customers (deLeon and Denhardt, 2000:91 and Gore, 1993:465) and the role of government now is to steer and provide services to its customers. The government is tasked with placing customer satisfaction at the center of the provision and delivery of goods and services.

Although results orientation is not a brand new way of thinking in government, it might also be considered a new concept in government, since it was a means-ends combination prior to the emergence of NPM. Accordingly, we can say that the focus of government before NPM was instrumental rationality, with an emphasis on the means to obtain desired ends; nonetheless, it changed after NPM and became a substantive rationality, in which emphasis is placed on the desired outcomes rather than the means. Hence, it could be argued that substantive rationality of thinking in public administration is another new concept with an emphasis on results.

Cutting red tape is also a fairly new concept in government, because earlier approaches operated on the belief that red tape is necessary for the neutrality of public administrators and protection of subordinates from suppression by superiors. Thus, the rules and regulations of government were supposed to ensure a disinterested perspective among public administrators, according to Merton (1957:113). Cutting red tape is necessary, since rules and regulations constrain public administrators (Terry, 1998:195), and it allows public administrators to exercise leadership (Terry, 1998:197-198), since they may be considered as good and skilled people who are trapped in a bad system. As a result, public managers are able to take risks and use different means to accomplish desired results. Thus, this may be considered a new concept in governmental thinking.

e. Problems and Juxtapositions

Not surprisingly, NPM can be addressed as not being a coherent set of arguments since it utilizes noticeably different juxtapositions and assumptions. For example, NPM asserts that the government is citizen owned. On the other hand, it also states that government must be customer oriented; that is, citizens must be treated as customers. However, if citizens own the government, how can we talk about serving the owners as customers? Also, there are citizens who lack opportunities or do not have the ability to be a
customer; they lack the resources to be a player in a market system. If public sector workers only serve customers, what happens to these citizens without resources? Should public administrators ignore such citizens? And, if so, how can they ignore the owner of the government? This is clearly a juxtaposition of conflicting propositions. Likewise, some citizens do not want to be customers, such as those who do not want to be subject to a parking ticket due to parking in the wrong place. However, public employees should continue to give tickets to those who violate law regardless of citizens’ wish. Obviously, this is a potentially contradictory combination in NPM.

deLeon and Denhardt (2000:95) criticized customer concepts of NPM, noting that customers are those who go to the market and buy what they want. Citizens, however, are not customers, they are the ones who decide what a government should do at the expense of the public. Thus, citizens are the owners of a government not its customers. Pegnato (1997:399) also argued that customer concepts of NPM are problematic, since defining who is a customer may be politically controversial; the definition may vary according to one’s political orientation. This proposition, accordingly, is a vital paradox for NPM.

deLeon and Denhardt (2000:94) also argued that the competition concept of NPM is contradictory for governmental services, because there is not always competition in governmental service provision. While competition may exist in urban and developed areas, rural areas may reflect a different picture in that respect. This is because many organizations in urban settings compete to provide goods and services to citizens, however, very few people live in rural areas and, for this reason, they are not seen to be promising in terms of profit. And organizations do not invest in rural areas, if they do not anticipate profits. Hence, there is little competition in rural areas, and if there is no competition, should the government ignore those who live there? This is definitely not something that a government should do. So, obviously, competition does not work everywhere and in all cases to make government services better and, hence, competition cannot guide all government services. From this perspective one might argue, as deLeon and Denhardt, that NPM misses the big picture of government functioning.

Although the actions and behaviors of POs in NPM are driven by market mechanisms, this is not compatible with democratic theory (Moe, 1994:112). POs are established based on the rule of law, not on the basis of market mechanisms and they are supposed to perform according to the letter of the law. Riccucci (2001:172) also maintained that NPM is incompatible with constitutional premises. Not only is a government expected
to produce and provide the goods and services its citizens need, but most of the time it delivers goods and services that are not profitable for the private sector. That is to say, government fills an important gap in service provision to its citizens. Since services that make a profit are provided and delivered by private companies, if a government focuses only on profitable services, who will meet the needs of society for unprofitable services and goods? This is a conclusive problem with the idea of NPM. Carroll (in Riccucci, 2001:173) also highlighted that government is supposed to invest for the future of a nation as well as solving conflicts and controlling the use of force in a country. Therefore, government cannot focus only on profitable service provision. This is another inconsistency in NPM.

Several researchers have noted that NPM is inherently anti-public because it focuses on individuals and ignores society as a whole (Ventriss and Candler, 2005:356). deLeon and Denhardt (2000:93) stated that accumulating individual interests does not reflect public interests. Ramos (in Ventriss and Candler, 2005:356) also noted that NPM ignores the inherent dignity of human beings. The various needs of human beings cannot be fully explained through NPM, as NPM focuses on economic interests and efficiency. To pursue collective interests, there must be a concept of public good, as the basis of governmental actions, and NPM cannot create public good. That is why NPM may be considered inherently anti-public.

It may also be argued that not all services can be privatized and contracted out; national security and public safety are among those services that cannot (Moe, 1987:473). In addition, POs deal with problems that the private sector and markets either cause or are incompetent at dealing with (Boyne, 2002:99-103). For example, some services, including the use of parks and recreation areas, are provided to everyone to use freely; markets do not address these issues. Also, the ignorance of individuals is important to the government, because individuals cannot know everything about what they want and need. For example, the knowledge of which foods and drugs threaten citizens can be better dealt with by government because of individual ignorance. If government treats citizens only as customers there will definitely be an information asymmetry between providers and purchasers. If government does not deal with this potential information asymmetry, who will deal with it? Certainly, government is needed to fill this gap in the service of citizens not customers.

Markets may cause externalities that spill over in society and environment. Hence, government is also needed to deal with such side effects. For example, environmental cleanliness is dealt with by governmental agencies not the private sector. This is a result of
the fact that no private company, would, probably, want to maintain air quality without making a profit. The government, however, is obligated to provide a livable environment for its citizenry. Therefore, one could clearly argue that privatization and contracting out is not a remedy for all governmental problems.

Self-interest is not always the main issue for people (Walfe, 1998:26); people can also be interested in others and they can behave altruistically. They can empathize with others and behave rationally themselves; or more correctly, not with self-interest being of the utmost importance. Zey (1998:93-96) likewise argued that there are problems with the rational choice assumption of human beings, which is one of the assumptions of NPM. Among Zey’s criticisms of the rational choice assumption of NPM, were: value is subjective, people do not always behave rationally, and utility is also subjective. NPM, nevertheless, considers all individuals as self-interested and acting rationally.

Appleby (1945:132) intriguingly argued that societies need unique people to protect and promote public interests, rather than to pursue their self-interests, and he pointed out that public employees act accordingly. In contrast, NPM, assumes that public officials would pursue efficiency and market values. Since proponents of NPM considers public workers as ordinary people like those in the private sector, NPM does not provide a strong basis for the existence of unique people to promote the interests of the public.

Conclusion

Obviously, NPM drastically influenced the philosophy of practitioners and scholars of the field of public administration throughout the world. It is involved in new ways of providing services and goods for citizens. Proponents of NPM argue that it introduced many new concepts and propositions, including competition, privatization, contracting out, cutting red tape, efficiency, etc. Although it has been criticized as offering nothing new to the field, NPM, as discussed throughout this study, provided new insights into the conduct of public sector employees and scholarly debates. Government applications and practices, as well as the activities of public employees, are affected by the NPM philosophy, even though some concepts and assumptions mentioned in earlier debates are reemphasized. One might therefore easily disagree with Frederickson’s idea that there is nothing new in NPM. NPM clearly is not an old wine in a new bottle; it introduced a different perspective into the field of public administration. It is a new wine even though one might taste some flavors from earlier paradigms. Although it is a clear-cut departure from traditional public administration, some of its assumptions and propositions involve contradictions and strikingly different
juxtapositions. And since some of its principles seem to be in conflict, NPM, might not be considered as a coherent set of arguments and propositions.

References


