

# **Required Skills for Professional Policy Making in Post-Bureaucratic, 21<sup>st</sup> Century Government**

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What will the post bureaucratic state of the twenty first century look like? Will it work in all areas of policy or will it work in some better than in others? Will it serve democratic ideals better than the bureaucratic state of the twentieth century? And finally, and most important for the purposes of this conference: what will changes in government mean for those who work in government and the skills that they will need?

I have been exploring these ideas for several years now. In the last two decades of the twentieth century many of the world's most successful democracies have experienced rampant dissatisfaction with government. Government was, in the words of Ronald Reagan -- "the problem, not the solution". Across the Atlantic, Maggie Thatcher took on the sacrosanct British bureaucracy and called them "protagonists of the failed Keynesian-Beveridge consensus who had brought Britain low." As the last decade of the twentieth century played out, dissatisfaction with government turned out to be a bi-partisan obsession. Democrat Bill Clinton ran on a campaign of reinventing government and readily admitted that most people thought the government could "screw up a two car funeral." In the mid 1990s a best selling book on government regulation was called, *The Death of Common Sense*, a phrase that handily captured what so many Americans thought had happened to their government.

By the end of the twentieth century the revolt against government was in full swing and sowing confusion among politicians who kept thinking they had won a great ideological battle only to find out that victory was fleeting at best. In Great Britain, Thatcher took the country through a wrenching era of privatization only to realize, towards the end of her term, that she really couldn't privatize the whole damn thing after all. For all of Ronald Reagan's rhetoric against government he actually increased the size of it and was able to do little in the way of fundamental reform. Under the first George Bush, the government began to experiment with TQM (total quality management) and other favorites of the corporate world but still the federal government remained largely immune from the productivity revolution occurring in the private sector during these years.

To the dismay of some on the left, the power of anti-government sentiment was such that it transcended political ideology. Bill Clinton, a Democrat, ran on a broad platform of "reinventing government" and had his Vice President Al Gore, preside over the longest reform initiative in American history. But the reinventing government initiative was not a sufficient antidote to the Clinton Administration's 1994 health care plan that looked like the big old government everyone hated.

And, to the dismay of those on the right who felt that the anti-bureaucratic revolt meant that their day had come, their results were meager at best. Newt Gingrich found that his conservative revolution, for all its drama, and sense of mandate, couldn't end the welfare state or the regulatory state.

One of the reasons that the revolt against government has been so confusing for politicians is that unlike previous periods in history when democracies argued over the ends or purposes of government, in recent years citizens of democracies have been unhappy with the means or processes of government. Studies of the decline in trust in government among the American public find that the decline exists across all segments of the population and is unrelated to economic, policy or partisan fluctuations. Unhappiness with government turns out to be unhappiness with *bureaucratic* government. Repeatedly public opinion polls find that large majorities of the American people feel that the government wastes money and that it is full of "waste, fraud and abuse."

The revolt against bureaucratic government has been global. In Western Europe the revolt against bureaucracy took the form of what Pippa Norris and Ronald Inglehart dubbed "critical citizens" - people who were supportive of democratic values but highly critical of actual government. In the developing world, the first step -- getting the "dead hand" of government off the market -- meant extensive privatization and a revolt against highly centralized and bureaucratic modes of production. That stage ended only to have those in this world find out that free markets in the absence of "government capacity" were no good at producing widespread prosperity either and that some sort of government was still necessary. But no where were the hopes and failures of this revolt more evident than in the fall of communism. In its Soviet manifestation, the combination of bureaucracy with totalitarianism proved a social and economic disaster. But those who hoped that once the old state was dismantled the free market would make everything right, were dismayed to find out (one more time) that free markets without governments resembled something on the order of the wild wild west.

### *Post Bureaucratic Government*

As highly centralized bureaucratic big government fell into disfavor other forms of government began to replace the traditional bureaucracy as means of implementing policy. In short, three new governmental forms are replacing the bureaucratic state of the twentieth century -Reinvented Public Sector Organizations, Government by Network and Government by Market. "Reinventing government" was first coined by David Osborne in his best selling book *Reinventing Government*. It is the essence of many of the government reform movements currently in vogue around the world. Stripped to its essence, reinvented public sector organizations are bureaucratic governments without all the things that have made bureaucratic government so irritating to the citizens of information age economies. Entrepreneurial government is government that is run as much like a private sector business as is possible.

The literature and practice of reinvented government (called the "new public management" outside of the United States) is replete with praise for competition, flexibility, employee empowerment and customer service. These governments have shed the civil service and they have shed centralized procurement. They have adopted performance goals, they use bonuses to reward their workers and they place a premium on service to the citizen and on productivity. In New Zealand, one of the most radically

reformed governments in the world, Cabinet Ministers "purchase" government outputs from what used to be the bureaucracy which must often "compete" with other public and or private organizations to do the work of the government.

In Government by Network the State makes a conscious decision to implement policy by creating, through its power to contract and to fund, a network of non-governmental organizations. In Government by Network, the State decides to create, activate or empower a network for the purposes of implementing a policy. For instance the State decided to involve universities and other non-governmental organizations in weapons research and churches as well as for profit and not for profit institutions in helping to get welfare mothers off work. The autonomous nature of the organizations in the network means that they can choose to do their work more or less as they want and employ whom they want. They are presumed to be (a big presumption), therefore, more efficient.

Compared to bureaucratic government, Government by Network has another outstanding advantage -- it can result in creative and innovative solutions to complex problems in a way that traditional one size fits all government cannot. Because pieces of government networks can often deliver creative solutions to difficult human problems it is the last best hope of those who want to see government pursue solutions to social problems.

In the international arena, Government by Network appears to be the emerging, adaptive alternative to the unrealistic alternative of world government. The operations of the European Union are often described in terms of an effective, but painstakingly slow, network. And internationally, many other networks operate between similar government agencies. These networks are so dense that the United States now has more federal employees in other countries than it has diplomats in those countries. What, we may ask, are all those folks doing over there? To the extent that these networks operate independently in order to harmonize policy they are creating the "governance" that is needed for the global economy. Indeed the fast pace of government reform movement around the world and the commonality of language and concepts being used by governments in very different countries is further evidence of the ways in which networks are forming to solve the global governance problem.

In both Reinvented Government and Government by Network, the traditional state has a role. In the first instance the behaviors and norms of the reinvented government make it almost unrecognizable to those who are dismayed by traditional bureaucracy. In the second instance, the role of government is much diminished. In its domestic version, Government by Network usually retains the power of the purse but often little more. In the international version states seek to harmonize policy as equal players (although the existence of the United States often distorts the power relationships - to the dismay of other players.)

The appeal of the third and final new mode of government -- Government by Market -- is that it barely involves traditional government at all. In that respect it is the model furthest away from government as we know it. This model does, however, presuppose a society based on the rule of law and a government able to enforce the law. Government by Market occurs when the government uses its power to create a market to fulfill a public purpose. Other than having in place some form of enforcement mechanism for those who try to cheat the system, Government by Market operates with

almost no government as we know it and that explains its current attraction and popularity. The essence of this new mode of policy implementation is to use government power to place costs on things that contribute - positively or negatively - to the public good. Historically the government has created markets to encourage productive behavior and to deter or correct for non productive behaviors.

The classic American example of Market Government is the much admired GI Bill. Enacted after the Second World War to encourage college education, the U.S. Government chose to give vouchers to the returning soldiers. They could have gone in the other direction (as they did with veteran's health) and build a system of "G. I. Universities". Can you imagine? The very thought of special GI Universities is enough to make most red blooded Americans burst into laughter or cringe in pain.

Instead we chose to expand the marketplace of higher education. In more recent years state governments have created markets for the millions of beer bottles and soda cans that used to be tossed on American highways. The federal government has created a market for pollution - when it passed a bill providing for permit trading in SO<sub>2</sub> (sulfur dioxide) emissions from industrial plants.

#### *Post Bureaucratic Government and the Civil Servants*

Traditional government bureaucracy, for all its problems, has one big advantage – the accountability mechanisms are very clear - they are spelled out in copious detail. It is not unheard of for even medium sized agencies in the federal government to have internal rules and regulations which take up hundreds of pages. (When I was in the government I used to refer to these as the agency's "self inflicted wounds" because they were usually additive to the rules and regulations promulgated as a result of legislation.) And in some cases they were added on to already highly detailed legislative or judicial mandates (a problem that has been especially severe in the area of environmental policy implementation.) But these rule based systems, for all their complexity, have one single advantage – clarity. Every action – from the purchase of an office chair to the filling out of forms to establish benefits – has its rules. The performance of all actors in the system is judged by their adherence to the rules.

Reinvented government seeks to replace an accountability system built on rules and regulations with an accountability system based on performance. This creates an incentive for public managers to address organizational impediments to better performance. This has been happening in many different governments and in many different countries. As the emphasis moves to performance, public sector managers will be expected to innovate much as do private sector managers. But innovation for the public sector manager will often entail a deft political dance to remove the agency from statutory and regulatory restrictions that were put in place to ensure agency compliance with the law and to prevent corruption. Thus the public manager in a reinvented government agency will also have to be an adroit politician with close relations to their relevant congressional committees.

The problem with Government by Network begins with the problems inherent in contracting but ultimately goes far beyond the contracts themselves. The real problem is that there seems to be no overall accountability mechanism and therefore no management at all. Management in many networks is still defined by the terms of the old traditional bureaucracy – audit the contracts periodically and make sure that no one is spending

money on things they shouldn't spend money on. While academics and think tanks occasionally get inspired to find out how a network is doing, the fact is that the government which is funding the bulk of the network often seems to have little or no interest in finding out how this network is doing. It is often the case that the governmental entity releasing the funds makes no effort to learn from the wide variety of organizations and innovations that are happening in the network.

One of the chief advantages of government by network is that it does allow, in a way even reinvented government could never allow, for enormous innovation. Thus the public manager in government by network needs to be skilled in the evaluation of many different kinds of programs. Like the manager in reinvented government, the manager in government by network must be able to set performance goals for the overall endeavor, but unlike that manager he or she must also be able to understand and analyze causal networks. That means understanding the consequences of various strategies and why they work.

The accountability questions for government by market are equally difficult. What does a well functioning market look like in the public sector and what skills should the designers and managers of public sector markets have? Let's start with four: price; range, rule of law and information.

The first challenge for the creator and manager in a government by market situation is to get the price right. If the price on beer bottles had been too low (say a fraction of a cent) there might not have been any incentive to collect them and return them. If the price had been too high it may have had the effect of seriously harming the beverage industry, thus creating another set of problems. As state and local officials have to figure out whether or not to move to a voucher system for education a great deal will depend upon the price set for each voucher. So far, cities like Cleveland have set the price of a voucher so low that the "market" for educational vouchers has been religious schools (especially Roman Catholic) where the church subsidizes the actual cost of the education. What will happen if the "price" of a voucher is set at the actual per pupil expenditure in a public school system – which in some places could be as high as \$8,000? Will that stimulate the creation of new and better schools?

Second, is the range of the market. Elected officials often get cold feet in the establishment of a new market – they want to have their cake and eat it too. That was clearly the story in the establishment of the California energy market. The government deregulated the wholesale market without deregulating the retail market. False expectations, (that energy prices would continue to go down) and political pressures to reassure voters that the changes would not cost them more money ended up contributing to a crisis. Thus the second challenge that the public official interested in government by market faces is the political pressure to retain the certainty of the traditional mode of government.

The third challenge facing those who would create and manage markets for the public good is to make sure that the rule of law is effective enough to prevent cheating in the market. This problem is clearest in emerging democracies and in countries with long histories of corruption. All markets, public and private, need rules to operate and an effective enforcement mechanism to prevent cheating. Although market government applied to environmental problems has proven a success in the United States, talk about using market mechanisms to implement the Kyoto accords falls on skeptical ears in other

countries. This kind of government works only where the rule of law is well established and where law enforcement can deter cheating.

Finally, well functioning markets depend on adequate information. As American consumers we are accustomed to having at our fingertips reliable sources of information about everything from cars to bread making machines. But will “consumers” of education in newly voucherized school districts have reliable information about schools? Here we have a catch 22. The failure of the traditional educational bureaucracies to set and measure performance (until only recently) means that while we know about the best schools and the worst schools parents have few sources for figuring out what to “buy.” Comparing the quality of one second grade education to another is simply not the same as comparing the quality of one bread making machine to another. A similar problem emerges in health care. Measuring hospital and doctor health care is filled with methodological pitfalls. Good markets require good information and in two critical areas of our public life – education and health care – the measurement of performance itself is very very difficult.

What this means, however, is that the creator and manager of a state established market must be constantly monitoring the quality of information about that market. The government leader that wishes to create and manage a “quality” market in a public good will have to be every bit as vigilant against cheating and gaming the system and every bit as concerned about the quality of the information as are those regulatory agencies that monitor the private markets. The trick will be, as it is in Government by Network, to regulate without bleeding these networks or markets of the creativity and capacity for innovation which is their strongest feature.

#### *Summary - Civil Servants in the 21<sup>st</sup> Century*

For most of the twentieth century the role of the civil servant was to implement a standard set of rules and regulations that stem from the rule of law. But in the 21<sup>st</sup> century the civil servant will need a more complex set of skills because they will be implementing policy in new ways. For some civil servants this will mean leading large public institutions through organizational reforms borrowed largely from the private sector. Productivity, a word seldom used in conjunction with government in mid century, will become critical to the goals of 21<sup>st</sup> century civil servants as they begin to operate in organizations empowered by information technology and incentivized by performance measures.

Other civil servants will have to operate large and diverse networks of organizations. They will have to find ways of judging the overall success of the network and the contribution of individual organizations in the network. They will have to hold their contractors accountable without stifling the creativity and innovation that are inherent in diverse networks.

And finally, other civil servants will have to make judgements about the design and operation of markets for public goods. They will have to decide if the market is flawed and susceptible to gaming or easy fraud. They will have to have the courage to make adjustments in the design of the market once it is operating.

What the post-bureaucratic world means for civil service is that there will be fewer people operating in central government but their skills and their pay will have to be much higher than they are today. Managing an organization that increases productivity

or a network that increases knowledge or a market that produces the correct incentives is a much more difficult and complex task than enforcing adherence to a set of rules and regulations.