Public Policy and Management: Perspectives and Issues
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Perspectives and Issues

Introduction and Overview

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1 Course Objectives

In this course you look at the state and how it is managed. This is a huge agenda and brings in ideas from political science, from history, sociology, economics, anthropology and management science. The purposes are these:

- to establish what is meant by some key concepts such as the State, Government and Policy, which are often taken for granted but about which we need to be clear – and to understand different interpretations
- to survey the principles and practice of public management using a historical and comparative perspective
- to introduce a range of ideas that have emerged about how to manage the public sector to demonstrate the importance of context in understanding management and changing management practices.
- to raise some issues about the nature of the policy process in different contexts
- to set out some of the main debates in the field in order to help you to make your own judgements.

2 The Course Authors

The original version of this course was written by Norman Flynn during his time as Director of the Centre for Financial and Management Studies. This edition was fully updated and revised in 2015 by John Bell, a CeFiMs Tutor and policy consultant, to take into account in particular changes in our understanding of public policy and management post the 2008 global financial crisis and further deepening of globalisation and the role of ICTs in government and the economy.

Norman Flynn had previously been Chair Professor of Public Sector Management at City University of Hong Kong and held academic posts at London School of Economics, London Business School and the University of Birmingham. Norman retired from CeFiMs in 2015.

He wrote about public sector management in the United Kingdom, Europe and Asia and about the relationship between business government and society in Asia. His books include Public Sector Management; The Market and Social Policy in China (edited with Linda Wong); Miracle to Meltdown in Asia: Business, Government and Society, and (with Franz Strehl) Public Sector Management in Europe.

Further publications are listed on his website: www.normanflynn.me.uk

John Bell has been a CeFiMs tutor since 2009 and authored the module, Policy, Programme and Project Evaluation, and with Norman Flynn revised the module Public Policy and Strategy. He is a highly experienced researcher, strategist, evaluator, facilitator and senior manager across social and economic policy with particular experience in employment, education and skills, welfare to work and social inclusion. John is a partner at the consultancy curvedthinking.
# An Overview of the Course

The course consists of eight ‘units’ of work, each with set readings, questions and exercises. There are additional readings available on the Online Study Centre. You also have the opportunity to discuss aspects the course with your fellow students through the OSC.

## The course structure

### Unit 1 The State, Public Policy and Management

1.1 Introduction  
1.2 Public Policy, Government and the State  
1.3 Understanding the Variability of States  
1.4 What is Public Management?  
1.5 Finally: What Then is Public Policy?

### Unit 2 The State in Action

2.1 Introduction  
2.2 The Market Failure Explanation?  
2.3 Size and Functions  
2.4 Economic Development and the State  
2.5 States and Welfare  
2.6 The State, Politics and Institutions  
2.7 Implications for Public Policy and Management

### Unit 3 Ideal Types

3.1 Introduction  
3.2 The Classical Chinese Civil Service  
3.3 Max Weber and Bureaucracy  
3.4 ‘Progressive’ Public Administration: Taking the Politics out of Management  
3.5 The ‘New Deal’  
3.6 Post-Bureaucracy: Reinventing Government  
3.7 ‘New Public Management’  
3.8 After ‘New Public Management’

### Unit 4 Policy Analysis and Evaluation

4.1 Introduction  
4.2 The Policy Process: from the Rational Ideal to Chaotic Reality  
4.3 Institutions, Elites and Policy Networks  
4.4 Policy in Practice: Case Study on China’s Economic Reform  
4.5 Policy Evaluation  
4.6 Unit Review

### Unit 5 Policy and Management Dilemmas I

5.1 Introduction  
5.2 Choosing how to Deliver Public Services  
5.3 The Principal-Agent Problem
5.4 Motivations and Incentives
5.5 Summary and Review

Unit 6 Policy and Management Dilemmas II
6.1 Introduction
6.2 How Holds the Reins of Power? Centralisation and Decentralisation
6.3 How to Do Things Better? The Quest for Innovation
6.4 Conclusions

Unit 7 Policy Transfer and Diversity of Ideas
7.1 A Theory of Policy Transfer: Institutional Form
7.2 Case Study 1: Policy Responses to Financial Crisis
7.3 Case study 2: the USA Occupations of Japan and Iraq
7.4 Case Study 3: ‘Co-production’ and the Question of Meaning
7.5 Conclusions

Unit 8 The Future of the State?
8.1 The End of the State?
8.2 Choices
8.3 Review Questions and Reflection
8.4 The Field of Public Policy and Management

4 Learning Outcomes
When you have completed this course you should be able to
• define the State and what it means in the second decade of the twenty-first century
• discuss the variety of approaches to public policy and management in different parts of the world and different periods
• analyse the elements of the social, economic, political and cultural contexts in which governments operate and the influence of these elements on approaches to management and policy
• explain how ideal types of government arrangements have influenced government policy
• advise on some of the major choices that governments have to make when making management arrangements
• evaluate the applicability of ideas about policy and management developed in one jurisdiction to another
• assess claims that the role and function of the state is everywhere in decline.

5 Study Materials
In addition to the eight units of the course guide, you will be working mainly with the Course Reader. The pre-course reading for the whole of Public Policy and Management programmes is:
Introduction and Overview


The Course Reader consists of some of the classic articles in public management as well as a wide range of contemporary theoretical and empirical works on public policy and management in a range of settings. You will find that there is a variety of perspectives in the readings and you will need to use your judgment to come to your own conclusions about the debates.

6 Studying the Course

When you work through the materials, there are various exercises, from the textbook or based on the readings, that are designed to consolidate your knowledge and skills. We recommend that you do the exercises, most of which take half an hour or less, before you look at the model answers, where they are provided, at the end of the unit.

You will be asked to submit your assignments and receive feedback through the Virtual Learning Environment, and to ask questions of your tutor. The VLE will also be the main way that we will communicate with you about administrative matters.

We would also encourage you to use the discussion area of the VLE to discuss issues with your fellow students. You will be prompted to do so occasionally as you progress through the course.

7 Assessment

Your performance on each course is assessed through two written assignments and one examination. The assignments are written after week four and eight of the course session and the examination is written at a local examination centre in October.

Preparing for Assignments and Exams

There is good advice on preparing for assignments and exams and writing them in Sections 8.2 and 8.3 of Studying at a Distance by Talbot. We recommend that you follow this advice.

The examinations you will sit are designed to evaluate your knowledge and skills in the subjects you have studied: they are not designed to trick you. If you have studied the course thoroughly, you will pass the exam.

Understanding assessment questions

Examination and assignment questions are set to test different knowledge and skills. Sometimes a question will contain more than one part, each part testing a different aspect of your skills and knowledge. You need to spot the key words to know what is being asked of you. Here we categorise the types of things that are asked for in assignments and exams, and the words used. All the examples are from the Centre for Financial and management Studies examination papers and assignment questions.
Definitions
Some questions mainly require you to show that you have learned some concepts, by setting out their precise meaning. Such questions are likely to be preliminary and be supplemented by more analytical questions. Generally 'Pass marks' are awarded if the answer only contains definitions. They will contain words such as:

- Describe
- Define
- Examine
- Distinguish between
- Compare
- Contrast
- Write notes on
- Outline
- What is meant by
- List

Reasoning
Other questions are designed to test your reasoning, by explaining cause and effect. Convincing explanations generally carry additional marks to basic definitions. They will include words such as:

- Interpret
- Explain
- What conditions influence
- What are the consequences of
- What are the implications of

Judgment
Others ask you to make a judgment, perhaps of a policy or of a course of action. They will include words like:

- Evaluate
- Critically examine
- Assess
- Do you agree that
- To what extent does

Calculation
Sometimes, you are asked to make a calculation, using a specified technique, where the question begins:

- Use indifference curve analysis to
- Using any economic model you know
- Calculate the standard deviation
- Test whether

It is most likely that questions that ask you to make a calculation will also ask for an application of the result, or an interpretation.

Advice
Other questions ask you to provide advice in a particular situation. This applies to law questions and to policy papers where advice is asked in relation to a policy problem. Your advice should be based on relevant law, principles, evidence of what actions are likely to be effective.

- Advise
- Provide advice on
- Explain how you would advise

Critique
In many cases the question will include the word ‘critically’. This means that you are expected to look at the question from at least two points of view, offering a critique of each view and your judgment. You are expected to be critical of what you have read.

The questions may begin

- Critically analyse
- Critically consider
- Critically assess
Critically discuss the argument that

Examine by argument
Questions that begin with ‘discuss’ are similar – they ask you to examine by argument, to debate and give reasons for and against a variety of options, for example
- Discuss the advantages and disadvantages of
- Discuss this statement
- Discuss the view that
- Discuss the arguments and debates concerning

The grading scheme: Assignments
The assignment questions contain fairly detailed guidance about what is required. All assignment answers are limited to 2,500 words and are marked using marking guidelines. When you receive your grade it is accompanied by comments on your paper, including advice about how you might improve, and any clarifications about matters you may not have understood. These comments are designed to help you master the subject and to improve your skills as you progress through your programme.

Post graduate Assignment Marking Criteria
The marking criteria for your programme draws upon these minimum core criteria, which are applicable to the assessment of all assignments:
- understanding of the subject
- utilisation of proper academic [or other] style (e.g. citation of references, or use of proper legal style for court reports, etc.)
- relevance of material selected and of the arguments proposed
- planning and organisation
- logical coherence
- critical evaluation
- comprehensiveness of research
- evidence of synthesis
- innovation / creativity / originality

The language used must be of a sufficient standard to permit assessment of these.

The guidelines below reflect the standards of work expected at postgraduate level. All assessed work is marked by your Tutor or a member of academic staff, and a sample are then moderated by another member of academic staff. Any assignment may be made available to the external examiner(s).

80+ (Distinction). A mark of 80+ will fulfil the following criteria:
- very significant ability to plan, organise and execute independently a research project or coursework assignment;
- very significant ability to evaluate literature and theory critically and make informed judgements;
- very high levels of creativity, originality and independence of thought;
- very significant ability to evaluate critically existing methodologies and suggest new approaches to current research or professional practice;
- very significant ability to analyse data critically;
outstanding levels of accuracy, technical competence, organisation, expression.

70–79 (Distinction). A mark in the range 70–79 will fulfil the following criteria:
- significant ability to plan, organise and execute independently a research project or coursework assignment;
- clear evidence of wide and relevant reading, referencing and an engagement with the conceptual issues;
- capacity to develop a sophisticated and intelligent argument;
- rigorous use and a sophisticated understanding of relevant source materials, balancing appropriately between factual detail and key theoretical issues. Materials are evaluated directly and their assumptions and arguments challenged and/or appraised;
- correct referencing;
- significant ability to analyse data critically;
- original thinking and a willingness to take risks.

60–69 (Merit). A mark in the range 60–69 will fulfil the following criteria:
- ability to plan, organise and execute independently a research project or coursework assignment;
- strong evidence of critical insight and thinking;
- a detailed understanding of the major factual and/or theoretical issues and directly engages with the relevant literature on the topic;
- clear evidence of planning and appropriate choice of sources and methodology with correct referencing;
- ability to analyse data critically;
- capacity to develop a focussed and clear argument and articulate clearly and convincingly a sustained train of logical thought.

50–59 (Pass). A mark in the range 50–59 will fulfil the following criteria:
- Ability to plan, organise and execute a research project or coursework assignment;
- a reasonable understanding of the major factual and/or theoretical issues involved;
- evidence of some knowledge of the literature with correct referencing;
- ability to analyse data;
- shows examples of a clear train of thought or argument;
- the text is introduced and concludes appropriately.

40–49 (Fail). A Fail will be awarded in cases in which there is:
- limited ability to plan, organise and execute a research project or coursework assignment;
- some awareness and understanding of the literature and of factual or theoretical issues, but with little development;
- limited ability to analyse data;
- incomplete referencing;
- limited ability to present a clear and coherent argument.

20–39 (Fail). A Fail will be awarded in cases in which there is:
- very limited ability to plan, organise and execute a research project or coursework assignment;
- fails to develop a coherent argument that relates to the research project or assignment;
- does not engage with the relevant literature or demonstrate a knowledge of the key issues;
• incomplete referencing;
• contains clear conceptual or factual errors or misunderstandings;
• only fragmentary evidence of critical thought or data analysis.

0–19 (Fail). A Fail will be awarded in cases in which there is:
• no demonstrable ability to plan, organise and execute a research project or coursework assignment;
• little or no knowledge or understanding related to the research project or assignment;
• little or no knowledge of the relevant literature;
• major errors in referencing;
• no evidence of critical thought or data analysis;
• incoherent argument.

The grading scheme: Examinations

The written examinations are ‘unseen’ (you will only see the paper in the exam centre) and written by hand, over a three hour period. We advise that you practice writing exams in these conditions as part of your examination preparation, as it is not something you would normally do.

You are not allowed to take in books or notes to the exam room. This means that you need to revise thoroughly in preparation for each exam. This is especially important if you have completed the course in the early part of the year, or in a previous year.

Details of the general definitions of what is expected in order to obtain a particular grade are shown below. These guidelines take account of the fact that examination conditions are less conducive to polished work than the conditions in which you write your assignments. Note that as the criteria of each grade rises, it accumulates the elements of the grade below. Assignments awarded better marks will therefore have become comprehensive in both their depth of core skills and advanced skills.

Post graduate unseen written examinations Marking Criteria

80+ (Distinction). A mark of 80+ will fulfil the following criteria:
• very significant ability to evaluate literature and theory critically and make informed judgements;
• very high levels of creativity, originality and independence of thought;
• outstanding levels of accuracy, technical competence, organisation, expression;
• shows outstanding ability of synthesis under exam pressure.

70–79 (Distinction). A mark in the 70–79 range will fulfil the following criteria:
• shows clear evidence of wide and relevant reading and an engagement with the conceptual issues;
• develops a sophisticated and intelligent argument;
• shows a rigorous use and a sophisticated understanding of relevant source materials, balancing appropriately between factual detail and key theoretical issues.
• Materials are evaluated directly and their assumptions and arguments challenged and/or appraised;
• shows original thinking and a willingness to take risks;
• shows significant ability of synthesis under exam pressure.
60–69 (Merit). A mark in the 60–69 range will fulfil the following criteria:
- shows strong evidence of critical insight and critical thinking;
- shows a detailed understanding of the major factual and/or theoretical issues and directly engages with the relevant literature on the topic;
- develops a focussed and clear argument and articulates clearly and convincingly a sustained train of logical thought;
- shows clear evidence of planning and appropriate choice of sources and methodology, and ability of synthesis under exam pressure.

50–59 (Pass). A mark in the 50–59 range will fulfil the following criteria:
- shows a reasonable understanding of the major factual and/or theoretical issues involved;
- shows evidence of planning and selection from appropriate sources;
- demonstrates some knowledge of the literature;
- the text shows, in places, examples of a clear train of thought or argument;
- the text is introduced and concludes appropriately.

40–49 (Fail). A Fail will be awarded in cases in which:
- there is some awareness and understanding of the factual or theoretical issues, but with little development;
- misunderstandings are evident;
- there is some evidence of planning, although irrelevant/unrelated material or arguments are included.

20–39 (Fail). A Fail will be awarded in cases which:
- fail to answer the question or to develop an argument that relates to the question set;
- do not engage with the relevant literature or demonstrate a knowledge of the key issues;
- contain clear conceptual or factual errors or misunderstandings.

0–19 (Fail). A Fail will be awarded in cases which:
- show no knowledge or understanding related to the question set;
- show no evidence of critical thought or analysis;
- contain short answers and incoherent argument.

[2015-16: Learning & Teaching Quality Committee]

Specimen exam papers

CeFiMS does not provide past papers or model answers to papers. Modules are continuously updated, and past papers will not be a reliable guide to current and future examinations. The specimen exam paper is designed to be relevant and to reflect the exam that will be set on this module.

Your final examination will have the same structure and style and the range of question will be comparable to those in the Specimen Exam. The number of questions will be the same, but the wording and the requirements of each question will be different.

Good luck on your final examination.
Further information

On line you will find documentation and information on each year’s examination registration and administration process. If you still have questions, both academics and administrators are available to answer queries.

The Regulations are also available at www.cefims.ac.uk/regulations/, setting out the rules by which exams are governed.
UNIVERSITY OF LONDON

Centre for Financial and Management Studies

MSc Examination
Postgraduate Diploma Examination
for External Students

91DFMC300

PUBLIC POLICY AND MANAGEMENT
PUBLIC MANAGEMENT
POLICY STUDIES

Public Policy & Management: Perspectives & Issues

Specimen Examination

This is a specimen examination paper designed to show you the type of examination you will have at the end of the year for Public Policy & Management: Perspectives & Issues. The number of questions and the structure of the examination will be the same but the wording and the requirements of each question will be different. Best wishes for success on your final examination.

The examination must be completed in THREE hours.
Answer THREE questions. The examiners give equal weight to each question; therefore, you are advised to distribute your time approximately equally between three questions.

Please do not remove this Paper from the Examination Room.
It must be attached to your answer book at the end of the examination.
Introduction and Overview

Answer **THREE** questions.

1. How can we explain the variability of public services between different countries?

2. ‘Ideal types’ of organisation can be constructed from sets of principles about how they should be run. What are the main reasons for reality to be different from an ‘ideal type’?

3. Should public services only be concerned with delivering public goods?

4. Under what conditions would it be best to deliver public services through:
   a) contracting with the private sector, and
   b) providing services through directly employed staff?

5. Discuss possible solutions to the Principal-Agent problem for governments, showing how different approaches may be more or less useful in particular circumstances.

6. Power is said to be moving away from national government ‘upwards’ to multi-national companies and organisations and ‘downwards’ to sub national governments. Which powers are likely to persist at national government level?

7. Why might governments adopt policies that were first invented somewhere else? What factors should they take into account when deciding whether they are useful for them?

8. What are the main features of a policy evaluation for a newly introduced policy? Illustrate your answer with a particular new policy.

[END OF EXAMINATION]
Getting Started

Let us start with a ‘warm-up’ exercise, to focus your thoughts on the subject matter of this course. Please take a few minutes to answer the following questions. There are some answers at the end of this introduction. By the end of the course, you should be able to answer all of the questions easily.

Warm-up Quiz Questions

1. State school education is free for pupils in the USA: True / False

2. State school education is free for pupils in China: True / False

3. Governments should only act when the market fails: Agree/ Disagree

4. Eventually every country in the world will be a liberal democracy: Agree / Disagree

5. Total government expenditure as a % of GDP (in 2004): which of the three figures is correct for each country?
   a) Netherlands    22% 35% 47%
   b) United States of America  20% 36% 50%
   c) New Zealand    20% 32% 39%
   d) Korea    25% 34% 45%
   e) Ethiopia (2001)  15% 30% 40%

6. Principal–agent theory is:
   a) about the problem agents have sticking to their principles
   b) about the problem employers have controlling employees
   c) about the problem governments have controlling contractors.

7. Public choice theory
   a) concerns letting the public have more choice
   b) is about the motivation of public servants
   c) assumes that all employees maximise their own welfare.

8. Policy-making and management are two separate things and should be done by different people: Agree/disagree

9. ‘National culture is an important influence on the appropriate management style to use in a nation’s public sector.’ ‘Management is a purely technical matter and what works in one context can work just as well in any other.’

   Which of these statements do you agree with, and why?

10. In the 1980s and 1990s New Zealand led the world in public sector reform and has stuck to its principles and practices. Agree/disagree
11 ‘Structural adjustment programmes’ have been:
   a) an attempt to develop the infrastructure of developing countries
   b) a necessary set of measures to bring fiscal health to countries with government deficits
   c) the imposition of a set of unnecessary cuts in public services.

12 ‘New Public Management’ is
   a) a coherent set of ideas that will eventually transform public management
   b) an artificial phrase invented by academics to describe a diverse range of management reforms
   c) a set of reforms from the era in which some governments thought that markets were the solution to all the problems of the public sector.

Now look at the answers and the comments on them, which follow.
Author’s Answers to the Warm-up Quiz

1. True.

2. False (the answers to 1 and 2 sometimes surprise people when they know that China is a communist state and the USA champions individualism, the market and free enterprise).

3. You may change your mind about your answer when you have completed this course. ‘Yes’ would be the answer in most standard texts, especially those produced in the ‘Public Administration’ tradition in North America.

4. There has been a tendency both to expect and to wish that ‘Yes’ is correct and desirable. Aid and loan agencies in poor countries have behaved in this way. As with the answer to 4, you may change your mind about this as you do the course.

5. Netherlands 47%
   United States of America 36%
   New Zealand 39%
   Korea 25%
   Ethiopia 30%

While the data for this answer are not wholly comparable, it is the case that there are wide variations in how much of national production goes into public services and welfare payments. Europe is generally on the high end of the scale, and Africa the lowest. Netherlands is usually among the highest.

6. ‘b’ and ‘c’ are both right: principal–agent theory is an important underpinning of public management, whether management of employees or of contractors. If you understand the theory and its application, you will have a better idea about how to manage.

7. ‘b’ and ‘c’ are both correct. The theory is behind many recent reforms and assumes that people have no intrinsic motivation to do good things, only to look after their own interests. You need to have a position on this theory before you can design and run pay and other incentive systems.

8. That they are separate is a fundamental belief of the ‘scientific’ school of management. The school has its opponents among those who believe that public management is inherently political and that it is naïve to try to separate them. This is another matter on which you may change your mind when you have studied the course.

9. In my view, national cultures have a profound influence on the way people relate to each other at the workplace. One of the reasons that management systems do not travel is that the managers who try to use one system in another context do not understand this, and they get frustrated because the people in the place to which the methods are imported resist them.

10. New Zealand did probably lead the world in public sector reform but has now changed many of its principles: the most important, and one you will spend some time on in this course, is that the government has abandoned the idea of the internal market in its healthcare system.
‘b’ and ‘c’ may both be true, depending on your point of view. The question is important for managers, because many of the ‘reforms’ of management of the last 10–15 years have been attempted while ‘structural adjustment’ programmes, including pay cuts and job cuts for civil servants, were carried through.

Any of these statements might be true, depending on your point of view. Also, ‘New Public Management’ may have been and may still be a slogan used by those promoting change. When you have finished this course you will have an opinion about ‘ideal types’ offered by people claiming to have all the answers to public management problems.

References


Public Policy and Management: Perspectives and Issues

Unit 1  The State, Public Policy and Management

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1.5 Finally: What Then is Public Policy? 19
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Unit Objectives

The purpose of this first unit is to introduce you to what is meant by public policy, and the contexts within which it is found: government and the State.

Learning Outcomes

When you have completed this unit and its readings, you will be able to:

- define public policy and the different ways in which the term is used
- define the idea of government, and how it related to but differs from the State
- describe the structure of the State and the differences between the public, private and third sectors
- begin to classify States according to their functions, funding, reform efforts and how they manage the relationships between governments and society.

Readings for Unit 1

Textbook


Course Reader


1.1 Introduction

This course is an introduction to the State\(^1\) and how it is managed in different situations. The whole course is self-contained, in that completing it will provide you with an overview of the key issues for the management of public policy, but it also serves as an introduction to the range of more detailed problems, solutions, history and possibilities involved in managing public policy, many of which are covered by other courses available from CeFiMS. Throughout the course therefore you will find references to other courses, as well as wider reading which goes into more depth. The bulk of this course focuses on the ‘machinery’ of public policy and management: the institutions, tools, methods and processes which governments mobilise in this arena, and with which many other actors are involved. It forms a companion piece to Public Policy and Strategy, which looks at larger scale, strategic and conceptual issues in public policy.

In later units of this course, we look at public policy and management from different points of view, including

- the institutions which have been created to manage States
- the ways in which decisions are taken, by whom, and what influences them
- the tools available to governments to achieve their goals, and
- how public policies are translated into actions.

The course includes theoretical perspectives on public policy, as well as comparisons between approaches adopted at different times and in different places.

It would be tempting to plunge straight in to these issues, but at this starting point we should take a moment to be clear about what we mean by some of the terms we will be using – particularly where these may not be as straightforward as they appear at first sight.

Let us begin with ‘public policy’.

\(\text{Exercise}\)

Since you are studying a course of public policy, it seems reasonable to assume that you have some understanding of what is meant by the term.

Without reading further, write down now a short definition of ‘public policy’.

- What does the term mean to you?
- What is policy, and what makes it public?

Put the definition to one side, and move through the rest of the chapter. We will return to it at the end of the unit…

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\(^1\) Although, strictly, state is a simple noun, given its central importance for the study of public policy we will capitalise the term throughout this course for reasons of emphasis thus: the State.
1.2 Public Policy, Government and the State

The term ‘public’ policy is used in situations where we are dealing with the intentions and actions of those with some form of political power and responsibility. All sorts of institutions can have policies – a private commercial corporation may have a policy to guide its treatment of its employees for example: ‘We seek to be a good, responsible employer who look after our staff’, with this laudable goal put into action by specific measures to set wage levels better than the sector average and provide workers with health insurance.

Public policy by contrast falls within the domain of those acting (or claiming to act) on behalf of society, in other words, government:

A government consists of institutions responsible for making collective decisions for society. More narrowly, government refers to the top political level within such institution.

Hague and Harrop (2013: 4)

In this course we will be making a lot of use of your textbook, Hague and Harrop’s classic Comparative Government and Politics. Here is what they have to say about policy:

What, then, is a policy? The concept is difficult to define precisely but, as a plan of action, a policy covers both an aim (say, to discourage obesity) and a series of decisions, past or future, designed to achieve the objective (e.g. reducing advertising of fast food). Policy can also take the form of explicit non-decisions: “our policy is that nutritional choices should be left to the individual”.

A policy is broader than a decision. It denotes an intention to make future decisions in accordance with an overall objective. At a minimum, a policy covers a bundle of decisions.

In understanding the policy process, it is important to avoid imposing rationality on a process that is often driven by political considerations, at least in high-profile sectors. Three points are noteworthy here:

• Public policies can be contradictory. Governments can subsidise tobacco growers while simultaneously running anti-smoking campaigns.

• Policies can be nothing more than window-dressing – an attempt to be seen to be doing something, but without any realistic expectation that the notional objective will be achieved.

• A policy statement may be a cover for acting in the opposite way. Leaders of low income countries may dutifully inform international agencies of their support for a market economy, while simultaneously bringing major corporations under their political control.

In short, public policy is a part of, as much as an output of, politics. Policy and politics, we should remember, are words with the same root.

Hague and Harrop (2013: 342)

By public policy, then, we are not only considering the intentions (overt and covert) of a government, but also the processes by which these will be put into effect, and the constraints on action. Policy typically also has an element of belief or values: a government’s policies will have a dimension based on a view of world and how it should, or could, be.

So public policy is the responsibility of government, and can be seen to contain three components:
• intentions
• processes and institutions intended to realise those intentions
• underpinning beliefs or attitudes,

This does not mean that public policy is just about government itself, particularly when we think of government as being ‘the top level’ of an institution, or indeed the government of a county or State. A clear distinction needs to be drawn between the permanent institutions of government, and those who are occupying defined positions within them at any particular time. In liberal democracies there will typically be a complex government framework of institutions with defined roles and powers, combined with a system of elections that periodically choose a set of representatives to decide on the direction and content of public policy, which will then be put into effect by others.

The government system will include checks and balances intended to prevent those in power from simply looking after their own interests, staying in power for as long as they like, or taking decisions which do not meet with the approval of most people. These include the election process itself (most liberal democracies stipulate that elections must take place somewhere around every five years); the division of powers between different institutions, such as between

• legislatures, which pass laws
• executives, which are responsible for day to day delivery of policy
• legal systems, which can be used to challenge or overturn government decisions that fall outside the existing law.

We need to realise therefore that whilst deciding public policy may primarily be job of the elected government, a much wider set of institutions and players will be involved at all stages. Nor will this be limited to the government framework. The table below gives some examples of what we mean here:

<table>
<thead>
<tr>
<th>Element of policy</th>
<th>Who may be involved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intention: what it is that is supposed to be achieved</td>
<td>• Government ministers • Elected representatives • Officials in ministries expected to deliver, e.g. to give advice on previous experiences in this area • Companies or citizens likely to be affected in some way by the decision (‘stakeholders’)</td>
</tr>
<tr>
<td>Delivery processes and institutions: how the intention will be realised</td>
<td>• Ministries expected to deliver, for example to advise on practical issues which may help or hinder • Other state agencies with a role to play, such as the police or local authorities • Consultants with experience of the policy area • Private companies or non-profit organisations seeking to win contracts to deliver goods or services for the government</td>
</tr>
<tr>
<td>Beliefs and attitudes: the philosophical principles that guide the intention, and may also influence how it will be put into effect</td>
<td>• Political supporters and opponents of the government • Media commentators • Legal bodies charged with maintaining the principles set out in law • Public opinion</td>
</tr>
</tbody>
</table>
So public policy originates with, but is not confined to, government. Let’s have a look now at what we mean by government, and in particular, the government of States (other government levels will come up later).

**Reading**

Read the first chapter of Hague and Harrop, called ’Political Concepts’ (pp 1–20). Although you are likely to be familiar with many of the terms they use, by starting with some of the basic notions about government, politics and the State we can begin to see how to make sense of the specific field of public policy.

Notice the progression in their discussion:

- **Politics**, the taking and enforcing of collective decisions, takes place within a *political system*, organised to frame and control politics, with the activity of making and implementing collective decisions termed *Governance*. This fits rather well with our three way division of public policy into intention, process and beliefs.

- They then discuss different types of *Government*, and in particular their role in organising the functions and activities of the State, ’the dominant principle of political organisation on the world’s landmass’ (p13)

- And distinguish between different types of ’regime’ (we will be looking at the relationship between regime type and approaches to public policy in Unit x)

As you read the chapter, note the extent to which the descriptions and definitions provided map on to your experience of your own country or others that you have visited.

Emerging from our discussion so far is the central importance of the idea of the State as a way to organise our thinking. We have identified that public policy is about collective decision making and implementation, but that it involves a variety of different actors. And we have recognised that government, despite its central role in policy, is not the sole player, and is itself a complex set of institutions and responsibilities operating at different levels within (and beyond) countries. This is where the idea of the State comes to the rescue. Hague and Harrop provide us with a good definition of the State:

…a political community formed by a territorial population subject to one government (p.13).

This enables us to envisage a concrete setting where all this takes place: a physical location (territory), where people live and institutions exists, overseen by a government.

The most obvious organised ‘political communities’ are Nation States, which we all recognise and are characterised by things like membership of the United Nations, possession of a flag, an anthem, and a governmental system which exercises power both over and on behalf of its citizens. You will have noticed in your reading that ‘nation’ is a somewhat slippery concept, as is ‘country’, so we are going to stick with the State for now.

One thing which may strike you in your reflections on this is that there is a lot more to a State than its system of government. As geo-political entities, States are clearly a key feature of how the world is organised, but they are
not only about politics and public actions. Within States people live their lives, set up home and raise children; businesses make and sell products; sports teams compete with each other. For much of the time, public policy may not seem that relevant to people’s everyday lives, and in some (but by no means all) States the number of voters bothering to turn out tells us something about citizens’ belief – or lack of it – in the relationship between themselves and the elected government.

However, the State does of course influence citizens’ lives profoundly, from the provision of some form of police force to keep order; to the levying of taxes on people and businesses; the insistence that children are educated in registered schools, many of which it provides; and making sure food in the shops is safe to eat.

These sorts of functions are what constitute public policy within a State, and public management as the process of putting it into practice. This course would not exist if there was not a huge variety in the ways public policy and management work across the globe. So how do we make sense of this diversity?

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1.3 Understanding the Variability of States

1.3.1 Modelling the State

If we look around the world we see that there is a wide variety of States. In northern Europe, and especially in the Netherlands and Scandinavia, we see States that are part of almost every aspect of life and which use more than half of national resources either in providing services or in transferring resources from one part of the population to another. In Africa, especially those states south of the Sahara, we see states that normally absorb much less that 20% of national resources and that make rather little impact on the lives of the great majority of their people.

We see States where the same laws and the same public services prevail everywhere more or less uniformly and others where sub-national government is such an important part of life that different laws and policies apply and even different languages are spoken in different parts of the country within the same state.

A journey around the world would bring us to countries where most of the population lives in fear and loathing of their government and others where the government and the State have the people’s wholehearted support. We would come across places where the norm is for government officials to demand or accept bribes; indeed, we would have to pay them to get in and out of their countries. We might also find places where bribery is unknown and where attempts to bribe would be met with arrest.

Given these big differences, how can we arrive at an understanding of States that can satisfactorily contain Myanmar and Finland or China and Liechtenstein?
In much of the writing on this subject, the ‘public’ domain is contrasted with the ‘private’. You will frequently encounter the terms ‘public sector’ and ‘private sector’ to separate government from commercial business, public policy from the market. In this way of thinking, although the public varies significantly in shape and influence, the public domain can still be satisfactorily identified. This then raises the question of what else exists within the State, and what is its relationship to the public? Is it as simple as government and markets? The answer clearly is no, for two main reasons. Firstly, where do citizens and communities fit into the picture? And are the public, private and community sectors really that distinct?

We discuss citizens first. Governments are concerned in many different ways with the everyday lives of people, both their own citizens, resident non-citizens, and visitors. People are of course not simply passive recipients of services. They may (or, as we noted) may not vote. They organise for themselves a rich array of social interactions with each other, each of which will interface with an aspect of the State in some form. In Britain, a local gardening society meeting in a village hall will have to conform to the health and safety legislation which applies to the hall, and if registered as a charity is obliged to file audited accounts to an official regulatory body. It will use the policies about tax for charities enacted by the government to recover the tax it has paid on buying tools for the use of its members.

In the United States citizens have taken to the streets of all too many cities to protest at the treatment of African Americans at the hands of the State’s ultimate domestic force: the police. Politicians both national and local have been obliged to take clear positions on the issue, and the State has become multiply engaged through inquiries, law suits, policy initiatives and lobbying in favour of higher area regeneration spending to tackle underlying economic, social and historical influences. Little of this has much to do with the market directly; it is about the relationship between citizens and the coercive arm of the State. But even here the market is present:

- in the law firms acting for different parties
- in the ways in which the structure of US capitalism distributes wealth and influence amongst different groups
- in the decisions by employment-creating companies as to where to locate themselves.

And in the ways in which money generated from illegal activity amongst some citizens gets ‘laundered’ into the ‘official’ economy.

In other spheres the market predominates, although as you might expect by now, citizens and community issues come into play as well. In many South and South East Asian States, such as Bangladesh or the Philippines, Government policy has strongly encouraged inward investment by foreign companies to set up manufacturing facilities. Market transactions generate the profitability of companies, and people are provided with paid employment, but all in a policy context established by government. Many would argue that all too often the scales are weighted firmly on the side of large companies, with lax regulatory regimes and poor oversight of the interests of citizens by government agencies. In Bangladesh, a nascent Trade Union
movement hoping to protect worker’s rights has received little practical support from government.

All this reinforces the point that the three elements of public policy - intention, process and beliefs - all interact with and are to a large extent shaped by institutions and people ‘outside’ the public domain. We need therefore a way to frame the State in a way which takes account of the diversity of the ‘non public’ domain, and the many ways in which it interacts with the State.

The following diagram is based on work originating with Hungarian economist Karl Polanyi, adapted by researchers in 2004 to construct a three-way model of social and economic relationships within which institutions and actions can be placed. The following text is from Defining the third sector in Europe by Adlabert Evers and Jean-Louis Laville, with their original diagram modified for use in the mid 2010s:

**Figure 1.1 Model of the Modern Plural State**

This is based on the substantive approach of Polanyi’s economic theory (Polanyi, 1944), which distinguishes three economic principles, the market principle, redistribution and reciprocity.

- **The market principle** allows for a convergence between the supply and demand for goods and services exchanged through price setting. The relation between the supplier and the customer is a contractual one. The market principle does not imply its immersion in social relations, ‘which are now considered by western cultures as being distinct from economic institutions’ (Maucourant et al., 1988). It is not necessarily embedded in the social system, contrary to the other economic elements as described below.

- **Redistribution** is the principle on the basis of which the results of production are handed over to a central authority responsible for
managing it. This involves implementing a procedure to define payment rules and targets. A relationship is established over time between the central authority that imposes an obligation and the agents that are subject to it. ‘Cash benefits’ can be distinguished from ‘benefits in kind’ as two different forms of redistribution. Sometimes this redistribution can be private, when the institution which is responsible is private, such as an organization whose directors have the power to take a percentage of the profits for corporate sponsorship or donations, for example, by means of private foundations. But the redistribution is above all a public matter: around the welfare state a modern form of redistribution has grown up, sustained by compulsory rules and used for paying benefits according to social rights.

- **Reciprocity** is the circulation of goods and services between groups and individuals that can only take shape when all participating parties are willing to establish a social relationship. So reciprocity is an original non-contractual principle of economic action in which the social link is more important than the goods exchanged. The reciprocity cycle is based on a gift calling for a counter-gift through which the groups or persons who received the first gift exercise their right to give back or not. There is an incentive for recipients to give back but they are not compelled to do so by outside forces; the decision is theirs. As a result, gift is not synonymous with altruism and free products or services; it is a complex mix of selflessness and self-interest. The reciprocity cycle is opposed to market exchange because it is inseparable from human relations that express the desire for recognition and power, and it is different from redistribution-based exchange because it is not imposed by a central authority. A special form of reciprocity, referred to as ‘domestic administration’ by Polanyi, operates within the family, which is the basic cell of the system.

On the basis of these three basic principles, a variety of combinations have developed historically. They can also be used to define a tripo lar economy in today’s world. The market economy is an economy in which the production of goods and services is based on the motivation of material interest; distribution of goods and services is entrusted to the market, which sets the price that brings supply and demand together for the exchange of goods and services. The relationship between supply and demand is established contractually, based on an interest calculation that allows for increasing autonomy in terms of other non-market social relations. However, the market economy is certainly not the product of the market principle alone. Market economies are not only organized around the market; they include many non-market contributions, such as collective infrastructures and grants for businesses. Nevertheless, the distinctive feature of the market economy is the priority given to the market and the subordination of the non-market and non-monetary contributions to it.

The non-market economy is an economy in which the production and distribution of goods and services are entrusted to redistribution organized under the tutelage of the welfare state. Redistribution is mobilized to provide citizens with individual rights, thanks to which they are entitled to social security benefits, or last-resort assistance if they are part of the most disadvantaged groups. Public service is defined by a delivery of goods or services involving a redistributive dimension (from the rich to the poor, from the active to the inactive, and so on). The rules governing this dimension are laid down by a public authority subject to democratic control. Redistribution in a broad sense covers all forms of...
levy and resource allocation, whether the purpose is financing social transfers or playing the role of a macroeconomic stabilizing force.

The non-monetary economy is the one in which the distribution of goods and services is based primarily on reciprocity and domestic administration. Obviously, a number of reciprocity-based relationships take a monetary form (for example, donations), but it is definitely within the non-monetary economy that the main reciprocity-based contributions are generated, be it by self-production or by the private household economy. The reciprocity cycle is the opposite of a market exchange because it is inseparable from human relationships that bring the desires for recognition and power into play. It must be distinguished from the redistributive exchange because it is not imposed by a central authority.

Each division of the economy is therefore organized around the predominance of one principle (Eme, 1993), and the main examples of the present-day economy reflect a hierarchy of these divisions, with the market economy considered as primary, the non-market economy as supplementary, and the non-monetary economy as residual. Within such a framework of understanding, the specificity of the third sector can therefore be interpreted as being a hybridization between the three poles of the economy, existing in a state of tension with this hierarchical structure. In other words, the third sector is not defined as a clear-cut sector and is approached more as a component of the economy based on solidarity and a hybridization of different economic principles. The authors of the concept call it a civil and solidarity-based economy…In all cases it is emphasized that third sector organizations are influenced simultaneously by different spheres that make up their social and historical context, and that their survival as something ‘different’ instead of adapting to the core values of state and market or regressing to informal settings and networks cannot be taken for granted. Despite their differences, all the approaches we have referred to emphasize a kind of ‘welfare mix/welfare pluralism’ and a ‘mixed’ or ‘plural’ economy.

Evers and Laville (2004: 16-20)

This framework allows us start to place institutions and actors in relation to the different principles, and to recognise the importance of thinking not only about ‘pure’ public and market institutions, but also to include citizens and communities, as well the spaces where principles overlap, bringing with them particular characteristics, opportunities and problems.

The space where the market and redistributive principles overlap is occupied by commercial companies delivering services for payment, but on behalf of the government. As we will go on to note later, there are very real management issues that arise in this space, which differ from where government delivers services directly, or takes no role in them at all.

Equally important are the spaces where citizens, communities and their own institutions exist, including the ‘hybrid’ space in the very middle, which is of ever growing scale, particularly in post-industrial States. As you will see later in this course, attempts to reform government and the ‘public sector’ are not just about bringing in the market. Governments with the intention of reducing the amount they spend are increasingly likely to relocate services into the reciprocal, community, space, or that occupied by commercially minded but socially motivated organisations.

Now we have a model of the State, a sense of where government acts (potentially everywhere!), where the public, private and ‘third’ sectors are situated, and some of the socially constructed norms as to how transactions take place.
– market, redistributive and reciprocal. It would be possible to use this model to map out the particular characteristics of any State, varying the sizes of the triangles and areas of overlap to reflect the relative dominance of different principles and placing specific institutions in relation to both their roles and their origins. Comparing the model for different States would quickly show us the differences between them in relation, for example, to:

- the amounts of money moving between the market and redistributive parts of the monetary economy, a good indication of the extent to which governments are, or seek to be, involved in the workings of their State
- the different types of institutions involved in the movement of resources around the State and the exercise of power, such as governmental structures
- the types of activity governments seek to be engaged with.

Exercise

Think about your own country or one that you are familiar with, and see if you can map it against the model we have been discussing.

- Does the model work?
- Are there aspects of the State in question that you can’t place?
- Does it help you understand how that particular State is organised?

Share your thoughts with your fellow students on the VLE.

Let us now look in more detail at some of these issues, their variability, and also how they are changing.

1.3.2 Functions

Governments in different parts of the world carry on a range of activities. There is a core of common functions: all carry out defence, control of cross-border movements of people and goods, tax collection and law enforcement. When it comes to taking care of the welfare of the population the variations are large, from the ‘welfare states’ of northern Europe in which the state is the main provider of health care, social security payments and pensions, through to countries where the government’s action in these areas is regulatory, if it has any interest at all.

1.3.3 Industry

There is also large variation in the degree to which the state is involved in producing goods and services. In some places there are state-owned enterprises making things that in other countries are produced only by the private sector. The Post Office Bank in Japan, for example, is the biggest deposit holder in the country. Railways around the world are variously privately owned and run, state owned and run or in mixed ownership. Various European governments own or partially own manufacturing plants, power generation and distribution and airlines. The French government has partially or fully privatised many large companies, banks, and insurers, but still retains large stakes in several leading firms, including Air France,
France Telecom, Renault, and Thales, and remains dominant in some sectors, particularly power, public transport and defence industries.

There is also variation in state involvement in oil extraction and distribution. The Chinese government still has a range of State-Owned Enterprises in various manufacturing industries. At the end of the twentieth century the Chinese SOEs accounted for about one third of production in China and the 13,000 large SOEs employed 100 million people.\(^{2}\) In 1998 it was estimated that they utilised about 70% of total bank credit and accounted for about 50% of China’s investment in fixed assets.\(^{3}\)

These SOEs are responsible for many aspects of the welfare of their workers and their families, providing housing, healthcare, education and retirement benefits. They seem to European eyes to be like small welfare states in their own right. Their existence has a big influence on the way the state is financed, cash flows from these SOEs being a major source of funding for state institutions. Their decline and replacement by companies in other forms of ownership have major implications for the continued existence of the welfare functions they perform. Their transformation is only possible through a big change in the way their managers manage and relate to the rest of the state apparatus.

1.3.4 **Fees and charges**

Another variation is how people pay for state services: some governments provide education in state schools without charge and fund the schools out of taxes, whether local or national. The United States of America is one example. In other places, such as China, pupils – or rather their parents – have to pay fees. There is a range of ways in which people pay for healthcare, from a service that is mostly free at the point of use, to systems of private payment and private insurance. Many countries, for example in Latin America, have a tiered system of public insurance, private insurance and some people with no cover at all.

Whether a service is paid for through taxation or through fees and charges has an important impact on the way in which the service is managed. Collecting fees puts the organisation providing the service in a different relationship with its service users, who behave more like customers and less like subjects. There is a tendency to move towards charging for public services at the point of consumption, and managers have to cope with the changed relationship with service users that this implies.

1.3.5 **Reform efforts**

You can also see a great variety of ‘reforms’. During the 1980s and 1990s, poor countries – especially in Asia and Africa – went through programmes of ‘structural adjustment’ that changed the scale of state activity, and how the remainder is managed. In the same two decades there was a wave of ‘privatisations’ as governments, mainly in Europe and Australasia but elsewhere as well, have divested themselves of activities no longer deemed

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\(^{2}\) Traustadottir, Marigio and Sassa, 2001.

\(^{3}\) Lee, Wong and Mok, 1999.
appropriate for governments to be involved in. The definition of what is appropriate does not have universal commonality but sectors that frequently get privatised include power production, manufacturing, telecommunications, banking, airlines, agricultural marketing.

In addition to ownership change, reforms have been common recently in the way in which governments organise the management of activities that remain, broadly, within their public sectors. Changes in the structure of ministries, changes in the employment contracts and practices for public servants, the introduction of internal market-type mechanisms, the establishment of semi-autonomous units to deliver services, the use of the private and non-profit sectors to deliver services under contract to governments have all been features of political efforts to change the way in which public services are run.

1.3.6 Government/business/civil society relations

The final major variable that distinguishes states is how the overall relationship between politicians and their parties, governments, businesses, civil society and citizens is organised. There have been examples of States in which it is impossible to draw a clear boundary between the ruler, the party, the State, the government and private interests. If you think about the history of Zaire in the 1980s, for example, where the President was able to take money from the State-owned mining company and put it to his own private purposes, it would be naive to describe the country as one in which one could make a distinction between government, ruling party, State-owned assets and private interests.

Or look at the United States of America, where funding for parties and individual politicians’ election campaigns comes largely from big corporations whose interests are systematically taken care of through an elaborate lobbying system. Or Korea, where big corporations managed the whole process of economic development, and capacity was built largely through loans raised from banks that were backed by government guarantees. In these cases it would simply be wrong to imagine a clear distinction between corporations and government, each side acting according to some constitutional definition of private and public interest.

1.3.7 The importance of the differences

These differences imply, among other things, that when you study public policy and management, you have to take account of such big variations across geography and through time. At one extreme, if you wanted to be a civil servant in the Chinese empire you had to have a good grasp of classical Chinese literature and a fair mastery of arithmetic. Had you been a civil servant in the British Empire the main qualification seems to have been a knowledge of Latin and Greek literature, since this is what many of the civil servants studied before becoming colonial administrators. In present day governments, the relevant subjects to study range across knowledge of information and communication technology, management accounting, a

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variety of technical specialisms for particular ministries and functions as well as a broad grasp of social sciences to make sense of the interventions governments make.

The other implication is that for every student some of the material might create the response: ‘It is not like that where I work, so why am I studying this?’ A tutor at CeFiMS had this response when on a teaching assignment in China in the mid 1990s. The programme was designed and run by a small Swiss company, whose owners were devoted to empowerment, creativity and flat organisational structures. The students consisted of senior civil servants from ministries, provincial governments and State-owned enterprises. Their definition of their main management problems was about discipline, absenteeism and low productivity. It was hard to persuade them that what they were being encouraged to learn by a largely European and North American faculty was right for them. Neither side was necessarily right or wrong, but it does mean that as a student of public policy and management you have to judge for yourself which approaches, techniques and ideas are relevant in what circumstances.

One way to make this easier is always to understand the context in which the material you are reading was written. Most textbooks, even the very good ones, are written from a national perspective. The ways of working described and analysed will be specific to one country or even one state. For example, Michael Barzelay (then at Harvard, now at London School of Economics) wrote an influential book with Babak J Armajani in 1992 called *Breaking Through Bureaucracy*. This has been much quoted as an example of how managers can get around the rules and make big improvements in services. It was written almost entirely about the government of the state of Minnesota in the United States of America during the 1980s. The experiences were real and no doubt the reporting was accurate, but as a student you have to ask yourself whether the lessons are lessons for you. Should you try to improve services and enhance your career by breaking the rules? What would be the consequences of behaving like this? This was the question that the Chinese students were asking – is it appropriate in a culture based on hierarchy and connections to manage in an egalitarian way?

As this course progresses you will come across this problem many times. People who work in and write about the public sector for governments or for international agencies are operating in a specific context that colours their work. They have views about how the organisational culture should be and make suggestions based on that wish. They have views about how people should behave and the principles according to which organisations ought to be managed. Very often these views will reflect ‘Western’ values and more often than not, particular values from the United States of America.

Reading

Now turn to the second reading for this course, by the World Bank. The Bank publishes a report each year on key indicators of development across the globe, but enhances this with thematic material related to common public policy issues, everything from climate change to the use of psychology in framing policies. In 1997 it took a close look at the
State itself. The authors argue that the functions of the state grew because of specific events, such as the Russian Revolution, the depression of the 1920s, the world wars of 1914–1918 and 1939–1945 and the oil price shocks of the 1970s. They go on to suggest that there is in many cases a mismatch between the roles that States should perform and their capability. They imply that some states are doing too much and that some are not doing what they do very well.

While you read that chapter, answer these questions, giving your reasons:

- It is taken for granted that the market is the ‘best instrument for realising growth and improving welfare’ and that when governments act it is defined as ‘intervention’ in the market. Do you agree?
- How well does their analysis of the State and its roles take into account the three-way model of market, redistribution and reciprocity – and in particular the place of citizens and communities as actors not just recipients or consumers?
- And do you agree that the expansion of State activity after about 1960, was driven by the same forces in all countries?
- Is ‘market failure’ the only, or best, reason for State action?

1.4 What Is Public Management?

We have spent a lot of time in this unit looking the arena within which public policy takes place, government and the idea of the State. In this section we bring the discussion back to the core purpose of the course itself: the practical issues faced by those charged with accomplishing tasks within the framework: the art and science of management in the public domain, and how this differs (or not) from management in other situations.

When academics started writing about management in the public sector, the English word that was used to describe the principles and practices was ‘administration’. In the United States of America at the end of the nineteenth century ‘Public Administration’ became a subject of study as well as a practice in various levels and tiers of government. ‘Administration’ implied that the activity involved defining and following the bureaucratic rules and procedures at the heart of government. At the same time as these developments, ‘management’ was developing as an activity in business, distinct from the activities of business owners and of the workers.

One writer of many classic books on management, Peter Drucker, elevated ‘management’ to the status of a social force:

The emergence of management as an essential, a distinct and a leading institution is a pivotal event in social history. Rarely, if ever, has a new basic institution, a new leading group, emerged as fast as has management since the turn of this [twentieth] century. Rarely in human history has a new institution proven indispensable so quickly; and even less often has a new institution arrived with so little opposition, so little disturbance, so little controversy.

Source: Drucker (1955: 1)

In this definition, management is an activity, a set of relationships and a group of people with an important role. It developed as part of the growth of companies to a size that exceeded their owners’ capacity to control and
direct all their resources. It also developed when the technical aspects of production grew in complexity.

Many of the same factors propelled public administration in a direction that made it become public management. Organisations of the public sector grew so that they could not be directly managed by politicians, and grew in complexity so that specialists were needed to organise and direct them.

There are differences between managing businesses and managing government agencies and public services. There is also a great variety of organisations and processes within both the private and the public sectors. States differ greatly with respect to the functions and activities they carry out, and how they carry them out. So the expression ‘public management’ has to encompass somebody running the mayor’s office, the person in charge of a fire service, the manager of a state-owned enterprise, the principal of a state school.

Clearly these institutions have different problems, and different techniques will be appropriate for running them. But is there anything that they have in common that distinguishes them from any other form of management? After all, if there is no distinction, then all the techniques of management that are appropriate in business could simply be transferred to these public sector institutions and the problem is solved.

One argument for an approach in public management that is distinct from the private sector is that the market produces different requirements than those in the public sphere. Norman Flynn, the distinguished head of CeFiMS, now retired, made the classic argument in a European context, like this:

**Public goods and public services**

There are four elements to the distinction between private and public services. The first is that certain things are ‘public goods’. One feature of such goods and services is that they produce ‘externalities’, or benefits that accrue to people other than those who benefit directly. For example, education is said to benefit everyone living in a society of skilled and educated people. The other feature is that people cannot be excluded from certain benefits. Everyone benefits from clean air or street lighting. Because no one can be excluded, people should pay for such services collectively rather than individually. Even those politicians who believe that the state should do the minimum possible are normally willing to concede that these categories of services should be carried out by the public sector. Some people believe that no services are better provided by government and that even clean air is best achieved by property rights in air.

As a justification for the public sector, the ‘public goods’ argument suggests that the public sector should provide services where the market fails to do so, and the goods or services are required collectively, a decision made through the political process. As an explanation of what is public and what is private it is less convincing, since different services are in the public and private sectors in different societies and at different stages of development. Examples of the differences include the extensive provision of education through religious organizations but financed by the state in the Netherlands, the private provision of ambulances and fire protection in Denmark, public ownership of airlines in various countries. History and politics have more convincing explanations than a theory about public goods. Britain went through a period in which the ruling Conservative Party had an instinctive suspicion of public provision and preference for markets and the
private sector. The Labour party abandoned its belief in state ownership as part of its modernization programme and claims to be pragmatic in its approach to what should be private and what should be public.

The second distinction is how services are financed. Services are public services if they are financed mainly by taxation, rather than by direct payments by individual customers. One characteristic of some public services is that they are not available for sale and people cannot necessarily have more if they pay more. Even those services which are ‘commercial’, in the sense that money is exchanged at the point of consumption, are still public services in the sense that they are controlled through the political process and accountability for service delivery is through politicians to the public rather than to shareholders.

The distinction is no longer absolute. People who receive homecare, for example, may pay for extra hours beyond those for which they are assessed as needing. While not legal, school children who do not pay for school visits may be left at school. Some services which are public are subject to charging: leisure facilities and car parks are normally charged for at cost or close to it. The NHS has charged for drugs since 1952 and in 1995 patients pay about 10% of the cost of drugs to the NHS. NHS Trusts have private wings in which patients who pay may receive quicker treatment and better facilities than NHS patients. A high proportion of public services are ‘free’, at least at the point at which they are used: most of education and health, social security, criminal justice.

A third difference is who owns the facilities and by whom are the service providers employed. Traditionally, public services were provided by public employees in public buildings. Again, such a distinction is not absolute, after a period of contracting out and privatization. Take public transport. In the United Kingdom outside London, bus transport is privately owned and deregulated. But there are still public service features. Everyone benefits from there being a public transport system, even car users whose freedom to drive is enhanced by having passengers on buses. In London, buses are privately owned, but the routes are regulated by London Transport Buses and some routes are subsidized. Or, take refuse collection. Where private companies have won the right to collect rubbish, their employees are not public employees, the vehicles may or may not be owned by the local authorities but the details of the service are determined by the local authority.

The main defining characteristic is whether goods and services are sold only to people who pay for them and whether anyone with money can access them while other people are excluded. For people running and providing the services this distinction is important. In a business, the task is to attract customers, persuade them to pay a price that produces a profit and satisfy them enough to persuade them to remain customers. Public services have to attract people to use them, but they also have to enforce eligibility criteria where scarce resources have to be rationed in a way which does not apply in the private sector; scarce services are rationed by price. In the public sector, resources are rarely deliberately rationed by price. Prescription charges for drugs may deter poor people from taking medication, but there are safeguards to try to ensure that people in need do not have to pay and are not deterred. Nor do the managers and workers of public services have to satisfy people enough to persuade them to return. In those cases where the service is a monopoly, the service users have no choice. Even if they have a choice, it is not always the case that attracting more service users creates benefits for the organization or its workers: often it just means more work. The motivation for satisfying customers is not to persuade them to return and generate more profit, but the value of public service.

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5 National Health Service, United Kingdom.
6 Office of Health Economics (2001) Figure 4.17.
It is really this last feature, the lack of a direct connection between ability to pay and access to the service and the fact that there is not always a direct benefit from attracting customers that makes management in the public sector distinct: marketing to generate sales is mostly irrelevant, unless artificial markets are created. Customer satisfaction as expressed by repeat business is not a relevant measure of success, nor is profitability. Motivations for good service are not themselves based on profit.

If these differences did not exist, then managing in the private and public sectors would be identical. Of course there are similarities; people’s motivations in both sectors may have no connection with the well-being of the organization or its customers; services in both sectors need to be designed and managed in similar ways; organizations have to be created to support the service process. Underlying these techniques, however, are the important differences in values and definitions of success.

Flynn (2007: 13–15)

While this argument has used examples from the United Kingdom, the general principles apply in many countries.

A second argument is that management ‘in the public domain’ is specific to a form of political culture. John Stewart and Stewart Ranson were both professors at Birmingham University in the United Kingdom. They wrote a book in 1994, Management for the Public Domain, which tried to make political sense of the different demands that were being made on managers as the public services were becoming subjected to market influences.

Reading
You should read their chapter now. You will see that Stewart and Ranson’s argument is that public management has:
- distinctive purposes
- different tasks
- internal and external conditions for management
- a variety of systems for management.

and that differences arise as a result of variations in:
- ownership (the fact that there are no stockholders of public organisations)
- politics (the fact that ultimately politicians are in charge of public services)
- the difference between working in a market environment and a non-market environment
- the nature of the service (such as garbage collection versus running an airline, running a school compared with running a restaurant).

Your notes on the reading should clarify these issues.

1.5 Finally: What Then is Public Policy?

We started this unit by looking at the idea of Public Policy itself, and then went on to consider what we mean by government, the States, the public sector and its place in the political economy of states. How has your thinking evolved?
Exercise

Earlier on you wrote down your own definition of public policy. Look again at your definition of public policy, and think about whether it still works for you. Would you change it? If so, how, and why? Do the definitions and examples we have considered match with your own experience and understanding, or do they need to take other situations into account?

Share your thoughts with your fellow students on the VLE.

1.5.1 Exercise feedback

There are many different ways to think about public policy, which is one of the reasons it is worth studying in detail! What follows is loosely based on Hogwood and Gunn, 1984, and shows the importance not only of recognising the diversity ways in which the term might be encountered, but also taking this into account, particularly if you are engaged somewhere in the public sector and expected to ‘do something’, such as:

1 A label for a field of government activity, such as foreign policy, trade policy etc. This is what is often ment by a policy ‘field’ or ‘arena’.
2 An expression of general purpose. Governments and ministers are often happy to leave their policies at this level. ‘Our purpose is to reduce crime’; ‘Our policy is to encourage economic growth’; ‘We will encourage sustainable development’ are statements that are hard to disagree with but at the same time difficult to pin down in terms of tangible results.
3 A set of specific proposals, including intentions, processes for delivery, and underpinning beliefs in the validity of the action
4 Formal authorisation for actions by ministries and others. ‘Policy’ on an issue may be a political necessity. Governments of countries where there are highly organised criminal groups contolling the drugs trade have to have a policy on such matters. It is another question whether in practice they will be effective in stopping the trade.

These four basic definitions are important for public servants who need to know what definition of ‘policy’ is being used in a particular case. Are they expected to do something to implement the policy or is the policy there simply as a set of statements from the government? There are further nuances:

5 Policy as programme. Sometimes the policy will be expressed as a series of linked proposals and means of implementation. This might be expressed in a slogan, such as the ‘War on Terror’ (USA) or ‘Tough on Crime, Tough on the Causes of Crime’ (United Kingdom). A programme is likely to involve numerous individual actions performed by a number of departments and agencies.
6 Policy as output or outcome. A useful distinction, especially when you look at evaluation of policies, is between outputs and outcomes. Conventionally, there is a distinction between what an agency produces and the results that it can achieve. Take a school: its outputs are lessons and pupils carrying out activities and tasks. The outcomes of the actions of the school and its pupils are a set of skills, attributes
and knowledge that the pupils acquire as a result of the activities. Schools policy could be expressed either as a set of outputs or a set of outcomes. ‘We will provide 1000 teachers, books and classrooms’ would be a policy expressed in outputs. ‘We will create a cohort of students, of which x% will achieve y standard in mathematics, all will understand the constitution of their country and will be employable’ is a policy expressed in outcomes.

The distinction is not always that clear. The idea that politicians should concentrate on outcomes and public servants on the outputs is based on the clear distinction between policy and administration and between politicians and civil servants. Politicians are rarely happy with this distinction. Election promises to ‘improve the educational standards in schools’ are less tangible than ‘we will hire 1000 more teachers’, and politicians are free to express their policies however they wish.

This blurring between policy and implementation can have serious consequences. Take the field of healthcare. It is widely believed that the health of a population overall is greatly affected by standards of public health and hygiene and by measures taken to prevent people from contracting diseases. Health improvements come from a balance of factors such as diet, housing standards, water supply and sanitation, air pollution and the provision of medical services. Often a better outcome can be achieved by rebalancing spending away from treatment investments and towards prevention measures. However, the preventive measures are often hidden from view, other than by the people directly benefiting. Treatment investments, in hospitals, clinics, operating theatres and so on are more visible and may be more attractive to politicians, despite their relative impacts on the health of the people. Policy expressed as outcomes, such as ‘the child mortality rate’ or ‘the incidence of heart disease’ will produce different investments and services from policies expressed as ‘number of hospital beds provided’ or ‘number of nurses hired’.

7 **Policy as process.** Anyone working in policy knows that there is no straight line where a policy starts as a public statement by a politician, through a set of detailed proposals drawn up by civil servants, through to implementation by ministries or other agencies on the ground. The process is much messier than that. Policy emerges from the interaction of many people representing many interests. Most policies build on existing activities and institutions which themselves have become an interest. Most policies get modified during implementation as the actions of the agency collide with the realities on the ground. One of the skills you need working in a public policy arena is knowing where and how policy is really made and the relationships between the players in the process.

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**Online Study Centre (OSC)**

When you have answered the questions, post a summary of your answers to the Online Study Centre (OSC) so that the rest of the class can see them, and so that you can see their answers. We should be able to learn from this whether there is a variety of contexts in which you work or whether my argument is simply wrong!
References


