NEW PUBLIC MANAGEMENT AND MARKET-BASED PUBLIC POLICY:
RETREAT TO ESSENTIALISM OR REJECTION OF DEMOCRACY?

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Mary M. Timney, Professor
Department of Public Administration
Pace University
White Plains, NY
mtimney@pace.edu
I had initially proposed this paper for what was to be a commemorative edition of *Post-Modern Public Administration*, a festschrift to honor Chuck Fox. When that didn’t fly, the subject was changed to anti-essentialism but the proposal remained the same. I’m glad I know Hugh Miller for otherwise I probably wouldn’t hear about these new-fangled concepts. Sometimes I feel the way Dwight Waldo did when he penned the epilogue to my first book, edited with Rick Mayer (Bailey and Mayer 1992). Waldo remarked that he often felt like saying, “Oh, come on,” to our theoretical ruminations, but he went on to say that he was glad that someone in the field was doing it.

I have been wrestling with what it means to be anti-essential. I found an article by Charles Spinosa and Hubert Dreyfus (Spinosa & Dreyfus 1996), in which they make the distinction between non-essentialism and anti-essentialism. The anti-essentialist is one who argues against essentialism, or any stable set of distinctions, while the non-essentialist is one who believes the claims of essentialism are wrong but does not develop arguments against them. Note that the philosophers were discussing these concepts ten years ago so we public administrators are, as usual, late arrivals.

When I think of public administration and its essentials, it seems to me that the essentials of the field from the beginning have been rationality and efficiency, both concepts from the economist’s lexicon. So to be anti-essentialist, one would have to be against both rationality and efficiency or would have to argue that the context in which they are applied is critical. Public administration in the field has lately been moving closer to these essentials primarily through privatization and out-sourcing so that government may be increasingly efficient and increasingly undemocratic at the same time.
Several years ago, Jerry Brown, then-Mayor of Oakland, California, asked me this question: “Did Public Administration kill democracy?” He had used this argument to get voter approval to change the city government from Council-Manager to Strong Mayor form, when he ran for Mayor. Philosophically, he challenged the concept of the professional manager (public administrator) who carries out policies efficiently without interference from the people or their duly-elected representatives. I invited him to join PATNet.

The question is relevant, however, to a consideration of essentialism in public administration. If we go back to Woodrow Wilson’s concept of a fellow sharpening a knife cleverly (Wilson 1886), then knife sharpening is an essential concept that can be from context. If we apply the context democracy, on the other hand, then we may find that sharpening a knife without public input is in reality anti-essential, no matter how cleverly it is applied.

In this paper, I plan to argue that public administration essentialism in the form of rational decision making and efficiency is possible only in a world that excludes the reality of democracy. I begin by considering the founders’ search for “the one best way” and the rational focus on efficiency as the decision point for public policy implementation. I argue that achieving the one best way is a delusion that can be achieved only in a world where problems are delimited, unitary, and solvable. This world is superceded by the reality of interconnected problems that cannot be solved using rational scientific tools.

I then turn to an examination of New Public Management and the effort to turn over government functions to the market. After all, why copy the clever fellow when we
can contract out knife sharpening directly to him? New Public Management appears to be essentialism in public administration redux, yet I will argue that it is actually anti-essentialism if government is truly based in democracy. The reality of New Public Management is that it rests on the foundation of Plastic Disposable Reifications—efficiency and rational man—and is in effect the final triumph of Public Administration over democracy. In this way, essentialism becomes anti-essentialist and government becomes anti-government.

Public Administration Essentialism

Public administration emerged from the Progressive Movement in the early Twentieth Century as a manifestation of the “Good Government” philosophy in the U.S. It was purposely designed to remove government management from politics and place professional managers instead of political hacks in positions of executive responsibility. It developed at the same time as “scientific management,” which became the underlying foundation for public administration. Scientific management is based on the notion that managers, by following workers around, can scientifically design the one best way to do any task. Frederick Taylor’s classic description of the hod carrier demonstrates the superior position of the manager and his scientific approach.

The fundamental assumption of scientific management is that there is one best way to do any task--decision making included--and that it takes a scientist to figure out what it is. Thus, we have the basis for the role of the public administrator as the expert (scientist) and the exclusion of other voices in the decision making process, i.e. democracy. The decision making process cannot be democratic because that would presume that there could be more than one best way and that it could be found through
some sort of consensus or voting. The manager, on the other hand, finds the one best way by using scientific methods, which a priori exclude values and any kind of group process, including majority voting. This also provides the rationale for the politics-administration dichotomy, a concept that everyone knows isn’t real but public administrators continue to believe in.¹

“One best way” decision making has since been criticized as unachievable for many reasons. The best critique probably comes from Herbert Simon who argued that because of the number of variables and the constraints of time and money available to decision makers, decision makers are trapped in “bounded rationality.” The most they can accomplish is to “satisfice,” choose the solution that satisfies sufficiently to address the problem (Simon, 1976). Even Simon, however, failed to identify the fundamental reason that public problems cannot be solved using rational decision methods.

In order for the rational model to work, problems must be narrowly constructed. They must be unitary, that is, separate from all other problems; they must be delimited, having clear boundaries; and they must be solvable—once a decision is reached and applied to the problem, it will go away.² One can argue whether such conditions ever existed in government, but it has been clear since the 1980s that contemporary public problems are interconnected, multiple, and interdependent. Jeff Luke in 1989 described public administration’s world as shrinking, existing in “spreading networks of subtle and direct interconnections and interdependencies that enmesh public administrators from one

¹ Most city managers I know believe very strongly in the separation of politics and administration.

² Fred Thayer used to argue that every policy decision was in reality an hypothesis—if the proposed policy (or solution) is applied, then the desired effect will occur.
part of the planet to another (Luke, 1992, p. 15).” The young scholars group\(^3\) at the Minnowbrook II Conference expanded on this concept to argue that problems in this world could not be solved once and for all but could only be temporarily ameliorated. Problems in this dynamic environment shift and change so that rational techniques must be applied to constantly moving and morphing targets. Interventions themselves change problems and interconnections cause new problems that require new solutions. The public administrator can no longer find the simple problem for which the one best way solution can be devised.

**Public Administration and Economics:**

The search for the one best way led directly to the use of micro-economics as a theoretical base. Micro-economics is the perfect scientific base for public administrators who wish to eliminate values from the decision-making process. It enables decision makers to use the same measure (dollars) across all problems and situations and develop solutions that can be adopted universally.

Two fundamental concepts from micro-economics guide decision makers: efficiency and self-interest or welfare maximization. Efficiency means carrying out projects at lowest cost to produce the greatest benefits. In business, benefits are measured as profits. In government, however, the benefits are more difficult to measure and efficiency is reduced simply to lowest cost.

\(^3\) Most were not young in the chronological sense as some of them were over 50 at the time of the meeting; rather they were young in the field, having earned their PhDs during the 1980s.
Some citizens might assume that efficiency also means expeditious delivery. The typical government bureaucrat is characterized as slow and inefficient, bound in red tape, non-responsive to citizens’ needs, and so forth. The reality is, however, that the way to reduce costs in government is to shift them to others, usually citizens, in the form of longer lines, extra paperwork, long waits for permit approvals, etc. So if efficiency aims for lowest costs and government can only achieve them by shifting the burden to citizens, then we might argue that the slowest, cheapest government is also the most efficient.

Self-interest leads us to a different kind of government. Self-interest is the Utilitarian basis for rational decision making, that is, individual welfare maximization that summed up brings us to the greatest benefit for the greatest number (Bentham & Mill). It is the fundamental concept underlying market theory and Adam Smith’s “invisible hand.” Self-interest assumes that we are all, at heart, greedy and that there is no collective interest beyond ourselves. Self-interest is tricky, however, because it excludes any notion of emotional attachments (love), charity (altruism), or commitment to higher ideals. Economists try to overcome this problem by arguing that altruism makes one feel good and that is a form of self-interest. Something like this has to happen to persuade people to do the least self-interested act imaginable--enlisting in the military. In order to entice young people to sign up and risk their lives for their country, military recruiters appeal to self-interest and give them a sales pitch on all the benefits they would be eligible for, such as education, skills development, and travel. They have to do this to overcome the rational fear of dying or being maimed in battle. Rational man, then, stands
in the way of community interests unless he can be convinced that the benefits to himself are much greater than the risks. 4

Efficiency and rational man are reifications, symbols that represent a sort of ideal condition. In politics they become what Fox and Miller defined as plastic disposable reifications: “short-lived, prepackaged conceptual gimmicks that evaporate when opened (Miller & Fox, 2007, p. 72).” We may not know what efficiency really is, but, like pornography, we know it when we see it and, furthermore, we know that it doesn’t occur in government. Despite over 100 years of public administrators searching for the one best way, we would be hard-pressed to find a politician or citizen who believes that government administrators could, in fact, manage efficiently. 5

The counter-image of efficiency in business is also a reification. Businesses that cut costs too much always end up under-cutting service and shifting costs to the customer in order to maximize their bottom lines. That means that customers spend more time on hold or accessing computerized menus rather than talking to a human who could address the question more expeditiously. 6 Call one of those companies and plan to be on “hold” for an extended period of time waiting for the customer “service” representative. This is called efficiency in business and incompetence in government.

Rational man is reified as the American ideal, a rugged individualist who makes decisions based on scientific analysis, i.e. cost-benefit analysis, and seeks to maximize his own welfare alone. The advancement of this image has turned citizens into

4 For a graphic portrayal of the tactics of military recruiters and military training, see the documentary film The Ground Truth.
5 I am often struck by how negatively my public administration students view government.
6 The Jet Blue passengers who sat on the runway for ten hours during a snow storm were also victims of least cost decision making.
consumers who want to pay the least amount possible for the most benefits that they personally receive from government. There is no room in this reification for collective welfare or what de Toqueville called “self-interest rightly understood.” So elderly and childless citizens vote against school taxes, and affluent ideologues crusade against social welfare programs, and SUVs become the dominant personal vehicle because no one can rationally take responsibility for global warming.\(^7\)

Rational man in public administration must seek to minimize government costs in program implementation in order to maximize efficiency. Since we know that the most efficient organizations are in the private sector, then the most rational decision a rational public administrator can make must be to contract out as many services as possible. The so-called New Public Management, then, is the ultimate destination for public administrators seeking the one best way.

The plastic disposable reifications of government inefficiency and market superiority have been articulated by politicians over the past thirty years to the point that they are now becoming more permanent in our consciousness. Fox and Miller asserted that “this was the insight of the Reagan-Bush-Atwater public relations presidencies, advanced to the level of genius in the Bush-Cheney-Rove White House (Miller & Fox, p. 73).”

\(^7\) I have elsewhere demonstrated that global warming, a non-rational outcome, is the sum of a set of rational decisions (see Bailey & Mayer).
New Public Management and Market-Based Public Policy:

New Public Management is embedded in the concept of market-based public policy. It is founded on the premise that the market works best to deliver goods (like electricity) and services (like health care). The obverse concept is that government cannot deliver anything efficiently. The federal government now outsources hundred of billions of dollars in services each year, much of it not subject to normal processes of accountability. Government contractors working for the military do tasks that used to be managed by the Quartermaster Corps and the Army Corps of Engineers. Public utilities all over this country were deregulated on the promise that the market would provide electricity at lower prices than government regulation could offer.

There are many failures of market-based public policy, none of which should be surprising if policy makers truly understood how the market works. Contractors in Iraq have been unable to account for billions in cash that was to be used to rebuild infrastructure in the country. Electricity prices are higher everywhere deregulation has been implemented and getting worse--states are facing large price hikes as price caps are expiring in deregulated states (Barrionuevo, 2007). These consequences happen because of a fundamental misunderstanding by policy makers of exactly how the market works.

The problem is self-interest. The self-interest of every corporation, government contractor, or business person is to make a profit and the more the better. The energy crisis in California in 2001 was portrayed as a policy failure when in actuality it was a tremendous market success. While the front pages of major newspapers in the state were screaming about exorbitant electricity prices and rolling blackouts, back in the business
section, they were celebrating the huge profits of companies like Enron, Duke Energy, and Calpine (Timney, 2004). Policymakers assumed that the market would automatically keep prices down and companies would build new capacity to serve the new national electricity market. Companies knew, however, that additional capacity would reduce their profits by flooding the market. Building new capacity in anticipation of market share is expensive and risky. It’s much easier and more profitable to reduce supply to keep prices up. The OPEC cartel manages supply when it wants to raise the world market price for a barrel of oil.

This is merely rational decision making. It is illegal domestically only when companies work together, but they don’t have to. As long as they have access to a fairly exclusive market share, which is true with electricity because of high market entry costs, they can manipulate production to keep their prices up. The other strategy that works really well, thanks to Ken Lay’s electricity trading platform, is to sell the product to the area that has the highest prices, reducing supply in the areas of origin. This happened in Washington state and British Columbia in 2001 when California was paying highly exorbitant prices for electricity. Companies in those states sold electricity to California rather than at home where electricity prices were lower, causing shortages in their own regions.

The reification of the market can be found in many other policy areas. Health care economists argue that the reason health care is so expensive is because consumers

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8 In the winter of 2001, supply was reduced because companies shut down several generators for maintenance at the same time. Winter is usually a time of lower demand when supply of electricity is generally at its highest.
don’t pay for it directly so they use it inefficiently. These economists apparently have never had a serious illness or they would understand that the last thought one has when told that they have cancer or heart disease is to try to find the cheapest doctor in town. Thus, the term “managed care” is used as a reification by the insurance companies in hopes that we will overlook the fact that they are actually managing costs. Health care should be seen as the public good that it is, not a market commodity.

Other examples of market-based public policy that haven’t worked out as expected include public education and prison management. For-profit public schools that promised to improve education outcomes over public schools have generally failed to produce higher test scores. Private companies running prisons become protagonists of mandatory sentencing in order to keep the prison population growing. They also can become major campaign contributors and powerful lobbyists in the state budget process.

With so many examples of the failure of market-based public policy to live up to its promises, why is it that policy makers and politicians continue to preach the benefits of the market over public administration? The answer is simply that the reifications of the market as competent and of government as incompetent have assumed power over reality. These reifications remain vibrant even in the face of growing evidence that they are incorrect.

New Public Management and Essentialism

New Public Management is promoted by its adherents as efficient delivery of public services. It is, then, an effort to return public administration to its essential roots, efficiency and rational decision making. Contractors are divorced from the political
process and, thus, can administer public programs without interference from the public or their representatives—no politics and no values to get in the way of the facts. One could argue that companies like Halliburton are very much engaged in the political process in order to become contractors, but the underlying assumption of New Public Management is that contracts are awarded competitively by neutral public administrators without political pressure.

One important difference between New Public Management and Public Administration is accountability. Public agencies are held accountable in many ways through financial audits and oversight by legislative bodies. All of their work is done in public, open to question by the press and citizens. This public-ness is also a part of the essentialism of public administration. Private contractors are not monitored in the same way that public agencies are. They can claim that information is proprietary or, as we have seen in Iraq, they can charge exorbitant prices for services or simply claim inadequate bookkeeping problems. And because government loses in-house expertise when it contracts out, it is often prohibitively expensive to rescind the contracts. Without significant accountability, New Public Management is the final triumph of public administration over democracy. It may also represent the final triumph of economics over government.

The growth of market-based public policy continues to diminish the value of government in the eyes of the public. There is no one left to speak for the importance of public administration; bureaucracy, another reification, cannot compete with the market. New Public Management, then, is anti-essentialist because it takes public administration out of government and out of the democratic process. With the complicity of public

Interconnectedness and Anti-Essentialism

New Public Management is based in the rational or essentialist model. As a result, it cannot address problems that are part of interconnected policy issues. Contracts are written serially to separate contractors so that there is no mechanism for them to work in concert to address problems. There is also no economic benefit in it since they would probably have to surrender some of their own funding in order to devise joint approaches. The logistics of such cooperation are also prohibitive.

To ameliorate interconnected problems requires a non-essentialist approach, neither rational nor anti-rational. Bailey (1992) defines an advanced theory, SupraRationality, that can address the challenges presented by interconnectedness and interdependency. It is a decision theory “that reaches beyond the narrowness of instrumental rationality to incorporate within the decision calculus the side effects and values of interconnected problems (Bailey & Mayer, p. 34).” Self-interest in this model is defined in relation to the whole, and the measure of a good decision is the good of the entire society. If everyone benefits, then it is assumed that individual welfare is also maximized (p. 38).

SupraRationality would return democracy to government because it requires the development of consensus among social groups. Individual contractors will not be able to find such consensus nor will they want to—efficiency requires minimizing the number of individuals in decision making in order to maximize returns on the contract. “Public
administration is the only function in society that interacts with all others,” so the public administrator is central to bringing about a SupraRational consensus, the principal goal of which will be amelioration (p. 47).

Conclusion

Anti-essentialism, like post-modernism, presents us with a dilemma. By rejecting essentialism totally, we are left without guides to figure out how to make society better. Anti-essentialism, then, is no better than essentialism (modernism) as a theoretical base for decision making.

I have argued in this paper that public administration should be based on non-essentialism, a theoretical base that can work with interconnected problems and interdependent individuals. By developing a SupraRational Model of decision-making, administrators can bring about the restoration of democracy to American government.

Bibliography


