

Essay Review

NEW PUBLIC MANAGEMENT IN NEW ZEALAND: THE PAST, PRESENT AND FUTURE OF THE GREAT EXPERIMENT

Mahama Tawat

Boston, Jonathan; Martin, James; Pallot, Joan and Walsh, Pat 1996. *Public Management: The New Zealand Model*. Oxford: Oxford University Press, UK, 416 pp., ISBN 0195583256.

Goldfinch, Shaun 2000. *Remaking New Zealand and Australian Economic Policy: Ideas, Institutions and Policy Communities*. Washington DC: Georgetown University Press, 295 pp., ISBN 0878408460 (pbk).

Scott, Graham 2001. *Public Management in New Zealand: Lessons and Challenges*. Wellington: New Zealand Business Roundtable, 407 pp., ISBN 1877148679.

Ryan, Bill and Gill, Derek eds. 2011. *Future State: Directions for Public Management in New Zealand*. Victoria University Press, 350 pp., ISBN 9780864738202.

ABSTRACT

Almost three decades ago, the world of Public Policy and Administration (PPA) was rocked by New Public Management (NPM), a liberal gospel advocating the application of business administration models to the management of public services in lieu of the old ‘monolithic’ and hierarchical neo-weberian ideal type. But nowhere than in the ‘Land of the Long White Cloud’, did NPM find a more fertile ground (Pollitt and Bouckaert 2004, Ryan and Gill 2011: 306). To quote Evert Lindquist, while the UK only took new ‘steps’ and the US set on ‘re-inventing’ its machinery of government, New Zealand launched a ‘revolution’ (2011: pp. 46-84). Praised and flaunted around the world by the Bretton Woods Institutions, the country became known as the ‘Land of New Public Management’ and Wellington, its capital, a site of pilgrimage for government practitioners seeking advice (Schick 1998: 123).

Since then, to paraphrase Castles et al., the ‘Great Experiment’ has continued to fascinate. But while we know the fine grain of this ‘bureaucratic phenomenon’, its broader picture especially after the mid-1990s is still unclear. In the words of Berman, ‘Generalizable links among their findings remain sparse and thin’ (2001: 231). This review

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article attempts to connect the dots by analyzing four books that offer an in-depth account of the reform program but were published at different time-distances.

The first, Public Management: The New Zealand Model dates from 1996, shortly after the virtual end of the experiment and was written by a team of academics led by Jonathan Boston, a keen observer of public policy in New Zealand. The second, Remaking New Zealand and Australian Economic Policy by Shaun Goldfinch, another academic was published in 2000 and is cast in a comparative perspective. The third, Public Management in New Zealand: Lessons and Challenges was published in 2001 by an insider, Graham Scott, the Secretary General of the powerful New Zealand Treasury from 1986 to 1993. The fourth, Future State, Directions for Public Management in New Zealand was published in 2011 and co-edited by Bill Ryan and Derek Gill. It recoups ideas from academics and policy practitioners who were asked by the State Services Commission, a public service watchdog to conceptualize the future state in a context marked by financial cuts, demands for more democratic accountability and complex challenges.

The books are reviewed along four dimensions: policy change, policy content, policy outcomes and future trends. Relevant questions are: Where did the reforms originate? What are their characteristics (defining and secondary)? How successful was the model? What is its current state and the path laying ahead? The books are cross-referred and where necessary supplemented by additional literature.

Keywords - Economic Policy, New Public Management, New Zealand, Public Sector Reforms

THE CURRENCY OF IDEAS

The reforms were launched in the mid-1980s unexpectedly by a left wing party, the Fourth Labor Government of David Lange (1984-1989) in a context marked by a widespread fear of an impending economic crisis amid the ruling class. However, as the authors agree, this situation was not specific to New Zealand and does not explain why Kiwi policymakers went farther than any other Western government. Goldfinch and Boston et al. claim instead that a ragtag of neo-liberal economic ideas from Chicago/Friedman economics to transaction costs and public choice (independent variable) born by a group of elites most effectively impacted policy change (dependent variable).

Scott states that the reforms “arose out of frustration at a set of management and employment arrangements in the public sector that had remained largely unchanged since a royal commission in 1962...a management philosophy that dated to reforms from an earlier commission in 1912” (2001: 6) and the decision of four “concerned” ministers to launch the “revolution”. He suggests in addition that a contingent event, the timing of the Labor party’s landslide victory at the 1984 legislative elections gave an impetus to the ministers to carry on with the “aggressive program of economic and state reform” (2001: 5). Ryan and Gill pinpoint the strategic imperative of reforming the public sector in line with financial reform, the rise of new ideas, ministerial agency, a high degree of receptivity of public sector institutions to these ideas and their ability to implement them.

Except for Goldfinch, all these arguments are made in passing. Boston et al. followed by Ryan and Gill seem to suggest like Kingdon (1995: 172) that ideas were pre-packaged and floating around waiting to be matched with policies. It is not enough to say that ideas matter, to show how they do is even more important. As for Scott, it is unclear which of the bureaucracy, policy communities, policy networks or rational choice institutionalism informs his basic proposition and how.

The incidence of contingency or randomness on policy change is a big question. Scholars such as Mahoney (2000) and Kingdon (1995) claim that it is a necessary element in the process of policy formation at critical junctures and the setting in motion of path dependence. Others like Pierson (2004), Thelen (1999), Collier and Collier (1991) view it only as a possible occurrence. These omissions would be understandable if the book was only a memoir. But the author is silent on his own agency whereas Goldfinch cast him as “extremely influential” (2000: 36), Di Francesco and Eppel describe him as “one of the architects of the New Zealand reforms” (2011: 124) and the back cover and preface of the book by Allen Schick, a US authority on budgeting, proclaim it.

Goldfinch, in contrast, collected data from archival research and some 87 interviews with key policymakers and other individuals who these very policymakers recommended to him. Furthermore, he compared New Zealand (the deviant case) to Australia, a country with which it shares many similarities and faced the same conditions (slow growth, relatively highly-regulated economy, a ruling Labor government) but whose reforms, he says, were subdued because of the incidence of corporatist-laborist ideas and its tradition of debate and compromise stemming from its federal system.

Goldfinch purports that these economic ideas originated in the generational experience of these elites and not in a given institution, a shared social background or even the personal experiences of some of them. Many had studied in the United States where they had come into contact with neo-liberal ideas, and upon their return influenced younger cadres. These ideas were embedded in policy communities, specifically the crest of highly influential public servants nestled in the Treasury (Graham Scott, Robert Cameron, Bryce Wilkinson and Roger Kerr) and the Reserve Bank (Roderick Deane) who had become dissatisfied with the economic posture of the Muldoon government (1978-1984).

Goldfinch’s argument is convincing but leaves theoretical and methodological blind spots. He pays scant attention to the work of Castles et al. who like him compared New Zealand and Australia’s policies but highlighted the impact of their respective labor parties’ programmatic beliefs. His use of a “combined institutional elite-reputational method” and survey methodology without process tracing specifically the institutionalization of ideas (Berman 2001) limits their explanatory power. It is unclear whether ideas were institutionalized by an agent or a group.

The claim that different agents and their ideas drove specific policy components permeates the book but the sum of the whole is not greater than its parts. One can only speculate on Roger Douglas being the carrier because of his higher number of survey citations, the christening of the reform program after him by the media as “Rogernomics”, his position as Minister of Finance during the initiation phase and perhaps the title

of his book “Unfinished Business” (1993) which conjures up images of him as the executioner.

THE KIWI MODEL: CRASHING THROUGH, MANAGING FOR OUTPUTS, ACCRUAL ACCOUNTING, SINGLE PURPOSE ORGANIZATIONS...

There is a broad agreement among the writers on the existence of a unique Kiwi model. First, they underline the extent to which the experiment was implemented rather than, say, its ideational foundations. Goldfinch’s description is the most illuminating in this respect. Comparing the way the reforms were introduced in New Zealand and Australia, he sums up their different approaches as respectively “crashing through” and “bargained consensus”.

While the Australian approach involved gradual implementation and synergy with various stakeholders, he explains, New Zealand’s “crashing through” approach was unilateral, abrupt and discriminatory. Concretely, participation to policy formulation was limited to the caucus of influential individuals in the Treasury, Federal Bank, Prime Minister’s Cabinet and the Business Round Table who shared the same economic rationalist beliefs.

These actors interacted outside the formal mechanisms of policymaking. They schmoozed and trusted each other. Like-minded individuals were co-opted from as far as the opposition. A prominent example was Ruth Richardson, the Shadow Minister of Economy, who will become famous in the 1990s for her own string of measures, “Ruthanasia”. To facilitate decision-making, main influencers were positioned at strategic positions where they were able to drive specific components of the reform program.

Second, the authors point at privatization and corporatization or the management of government institutions, services and personnel like private firms that were deployed through the State-Owned Enterprises (SOE) Act of 1986, the State Sector Act (SSA) of 1988, the Public Finance Act of 1989 and the Fiscal Responsibility Act of 1994. This dimension is thoroughly investigated in the Boston publication which other authors qualify as “the preeminent book” and of which Scott makes a useful summary.

Boston et al. describes the model as characterised by the creation of single purpose organizations; the separation of funding, policy and advice; the setting of strategic planning systems; contracting out; downsizing; codified expectations from state employees; a management framework for crown entities (state-owned institutions competing in the market) based on outputs; performance contracts and accrual accounting.

Performance contracts comprise the CEO’s commitment to the minister’s policy line, the CEO’s role and responsibility regarding output and financial management and his protection of the organization’s interests. Accrual accounting is the input of all costs and receivables whether financial transfers have occurred or not. Managing for output consists in mainly quantifying and funding desired outputs. The last two features together with the creation of single purpose organizations and a crashing through approach stand out as real Kiwi specificities and as such can be considered defining characteristics.

A JURY DIVIDED...

The authors are divided in their assessments. Boston et al., Scott and Ryan and Gill are more upbeat. They argue that the reforms staved off the downward spiral of the New Zealand economy. Writing almost 15 years after the beginning of the reforms and focusing squarely on this theme, Scott's book is the most comprehensive and also the most laudatory, perhaps because of his deep involvement in their formulation and implementation.

He begins with a useful second-order evaluation of a cross-section of previous evaluation reports and commentaries before presenting his own evaluation. He gives glowing marks on bureaucratic autonomy that he compares favorably to Australia and the USA. He notes that managers became more skilled, younger, and more ethnically diverse and their turnover probably higher although Māori, the historic minority and women were still largely under-represented and top jobs went to insiders. The appointment system of CEOs, he asserts, functioned within acceptable limits although there was a need to tailor the composition of appointment panels to specific jobs. While some organizations were overwhelmed by the reforms structural demands (public health institutions) or encountered accounting problems (crown entities), CEOs learned their lessons very quickly and ultimately showed themselves capable.

Boston et al. add that NPM helped improve customer responsiveness but as the system became more effective and efficient, there was a deficit in policy coordination in cross-sectional activities. While administrative decentralization took place, devolution of power did not follow; keeping New Zealand a strong unitary state. Like Schick (1998), they warn developing countries against copycatting the New Zealand model without satisfying the prerequisites in human skills and institutional capability. The thrust of this argument is that markets are mostly informal in developing countries and contracts would be difficult to enforce. However, it leaves out non-marketable operational deficiencies such as the lack of transparency, accountability and rigor that NPM practices are more able to address. Ryan and Gill sum up the experience as a mixed bag or a "...long-run learning process" in country governance (2011: 309). They write that the model instilled flexibility, transparency and accountability but emphasized output (efficiency) over outcome (effectiveness); sometimes jeopardizing public ownership interests.

Goldfinch's view, by contrast, is radically opposed. Like another famous dissenter, Jane Kelsey (1995), he asserts that the reform program was an utter failure. Its crashing through approach "undermined political legitimacy" by eschewing collaboration and consultation with stakeholders (2001: 207-209). "New Zealand... *has not* (his emphasis) performed well as measured by commonly used economic indicators". Employment, economic growth and labor productivity grew more in Australia than New Zealand while price inflation was on par over the reform period (Ibid: 210-211).

The inefficiency and slackness found in the 1995 Cave Creek disaster that killed 14 students after a viewing platform collapsed, proved that the Model could actually undermine rather than improve public service. The enquiry report revealed that the Department of Conservation (DOC) had done things "on the cheap" to save money. Bolts were

replaced with nails and the hard-nosed performance contract supposed to be operating was found wanting. Goldfinch concludes that management reforms are likely to be successful and of high-quality when they are introduced gradually and through a deliberative-iterative dialogue with stakeholders.

Unfortunately, it is not possible to adjudicate among these conflicting views based on hard measurable data. First, as Boston et al. and Ryan and Gill note themselves, no quantitative evaluations were ever made in the mid-1990s. The costs associated with the implementation of the reforms may have outweighed benefits in some sectors. One cannot know for sure if the economic improvement that allegedly ensued was consequential to the adoption of NPM or to a change in the global economic conjuncture.

Second, index measures of quality of government are few and “woefully inadequate” (Fukuyama 2013). It may not be possible to measure the reforms impact on some indicators e.g. the culture or the morale of the bureaucracy (Boston 1996: 353, Horton 2006) or in such paradoxical situations where the model created new problems while solving old ones (Molineaux 2011, Bouckaert, Peters and Verhoest 2010).

Third, even comparing the New Zealand and Australian experiences does not yield more neatness because of vast differences of opinion on the latter’s performance. For example, Pusey’s indictment of Australian reforms in his ground-shattering book *Economic Rationalism in Canberra* is almost as harsh as Goldfinch’s. Quiggin is no less critical of Australia’s achievements, although he finds it “hard to offer even a qualified defense of the New Zealand Labor government” (1998: 94).

CORRECTION... NOT CHANGE

To paraphrase Victor Hugo, the great question perhaps is: where does the model stand today and what tomorrow will bring? Goldfinch entertained little thought about its continuity beyond eradication. Boston et al.’s answer is muted therefore their book was published at an early stage. However, they signaled the view that the model would need to be continuously modified. Scott believes that the model needs correction not reform. The areas that, according to him, warrant special attention are accountability of crown entities, the protection of ownership interests and the strategic capability of the government to enforce them across multiple entities.

Ryan and Gill’s book provide the most compendious response. The co-editors traced the the model’s trajectory from its supposedly end in the late 1990s after the defeat of the Fourth National (right-wing) Government (Jim Bolger 1990-1997 and Jenny Shipley 1997-1999) and the advent of the Fifth Labor Government (Helen Clark 1999-2008). One learns that after its return to power, the Labor Party made two attempts at rekindling the “spirit of reform”. The first, the Review of the Centre (RoC) aimed at restoring the public service ethos. That is, handling the public as citizens and not customers.

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The second, Managing for Outcome (MFO) as specified in a 2004 Public Finance Act amendment intended to rebalance performance management from its exclusive focus on output efficiency to outcome effectiveness and enforce better cross-agency coordination. However, by the mid-2000s, both initiatives had lost wind due to the system's inability to resolve tension between the two principles. Yet, the view of the Treasury remained that while innovations, changes or improvements need to be made where they are needed, "none of these necessarily involves a rethink or significant change of direction" (2008: 16).

Ryan and Gill's claim is cogent; more so than Molineaux's (2011) who argues that New Zealand slid back into big government. In spirit, rational economic monism is still the order of the day at the Treasury, the bellwether of economic policy. This is not as suggested by Chapman and Duncan (2012) because the Treasury has not issued a policy statement as its *Economic Management* published at the beginnings of the reforms in the mid-1980s. Rather, as described by Easton, Treasury staffs are "philosopher kings for commercialization" (1997) and in time of crisis or uncertainty, actors are more likely to use their ideas as roadmaps (Ikenberry 1993, Sikkink 1993, McNamara 1998, Halpern 1993).

In most respects, the program of national asset sales presently hawked around by John Key, the National Prime Minister shows a striking resemblance with the program of privatization of the late 1980s. Only the language (hardly any reference to NPM) seems to have changed, I suspect, because of the wariness of the public. The bureaucratic culture that emanated from the experiment is present (Schick 1996). The defining features of the institutional arrangements implemented between the mid-1980s and mid-1990s are still in place and typically of any bureaucracy, may have become path-dependent.

Yet the model indeed seems amenable to correction. The registry of visitors at the Treasury shows that post-NPM scholars such as John Benington, a public value management eulogist (2012) and Patrick Dunleavy, the father of the essentially digital governance (EDGE) model (2013) were guests. There is no cohesive plan of action or discernible set of policy principles to pursue as in the mid-1980s. The government-sponsored Future State Project, of which Ryan and Gill's book is the end-product, let the authors express their opinions freely. The Book's list of contents is a salad bowl of disparate policy ideas.

Thus, while Norman and Gill argue that restructuring has been overused as a tool of organizational change by CEOs who must now be restrained, Ryan advocates the mainstreaming of community-based approaches into governmental measures. Lips writes that the government's rush to adopt e-governance illustrated by the failed police computerization project INCIS and other health projects was, in the words of Goldfinch and Gauld, "dangerous enthusiasms" (2006). The division often made between NPM and e-governance is a fallacy and networked governance is poised to become the dominant mode of governance. Lindquist underscores the importance of integrated and whole-of-government approaches in achieving future successes.

Di Francesco and Eppel imagine a future minister who will be less "sanctified" and more involved into managerial tasks. Boston and Gill invite practitioners to consider

horizontal accountability alongside vertical accountability with the rise of joint-up organizations and projects. Plimmer, Norman and Gill stress that the “messiness” and ill-defined contours of the emerging environment require a shift from bottom line efficiency to collaboration and innovation along the lines of the nordic model. Time will tell which of these ideas eventually gain prominence.

All in all, Goldfinch, Boston et al. and Scott produced books that are highly-instructive and should be required reading for anyone interested in respectively the model’s birth process, features and outcomes. The reader interested in the theoretical interface will feel quite disappointed by their lack of sophistication but would find satisfaction in the new ideas and theoretical simulations contained in Ryan and Gill’s book.

It is regrettable, however, that a handbook on the model like the one co-edited by Goldfinch and Wallis (2009) on public management reforms in an international perspective has not eventuated. New Zealand is a small country by size and population. Many of these authors work within the same radius in the shadow of the Beehive, the seat of Parliament and Government in Wellington. Such a “one-stop” book would have tended well to the world’s continuous curiosity for the “Great Experiment” while helping to broaden its discussion.

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