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Traditional Public Administration versus The New Public Management: Accountability versus Efficiency

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The development of the classical model of administrative owes much to the administrative tradition of Germany and the articulation of the principles of bureaucracy by Max Weber. The development of modern bureaucracies made possible the industrial revolution and the breakthroughs of modern economies. But at the end of the 20th century that classical model of public administration was challenged by what has been called the "new public management." This chapter will characterize the "traditional" and the "new public management" approaches to public administration must answer: 1) what shall be done, i.e. policy direction; 2) who shall do it, i.e. personnel management; and 3) how to enforce compliance, i. e. accountability. The conclusion will examine the tension between accountability and efficiency in traditional public administration and the new public management in answering the three fundamental questions posed above.

I. Classical Public Administration

The traditional model of public administration rests in important ways on the articulation by Max Weber of the nature of bureaucracy. Weber emphasized control from top to bottom in the form of monocratic hierarchy, that is, a system of control in which policy is set at the top and carried out through a series of offices, with each manager and worker reporting to one superior and held to account by that person. The bureaucratic system is based on a set of rules and regulations flowing from public law; the system of control is rational and legal. The role of the bureaucrat is strictly subordinate to the political superior.

Max Weber described the role of the civil servant and the importance of hierarchical control in a bureaucratic system:

To take a stand, to be passionate . . . is the politician's element . . . indeed, exactly the opposite, principle of responsible from that of the civil servant. The honor of the civil servant is vested in his ability to execute conscientiously the order of the superior authorities. . . .Without this moral discipline and self-denial, in the highest sense, the whole apparatus would fall to pieces."¹

While the system which Weber observed in Germany developed over several centuries, there was a parallel development of bureaucracy in other countries during the industrial revolution.² This model of bureaucracy was crucial to the development of large scale enterprises, private or public, throughout the developed world.

In the United States public administration Woodrow Wilson, later to become president, contributed to the traditional model by arguing for the separation of administration from political policy making. According to Wilson, citing as authority "eminent German writers," "… administration lies outside the proper sphere of *politics*. Administrative questions are not political questions. Although politics sets the tasks for administration, it should not be suffered to manipulate its offices."³ Wilson was one of the main proponents of the politics-administration dichotomy which has been much reviled by later public administration scholars, but which has often been misunderstood. Those who dismiss the concept as obsolete take it as an empirical assertion about how administration works in practice. They observe that in fact, many high level civil servants have an important impact on policy, and thus dismiss the dichotomy. The real importance of the politics-administration dichotomy, however, has to do with its normative implications.⁴ That is, the principle implied by the dichotomy is that elected officials and their direct appointees have the legal right to make policy decisions for the polity, and it is the duty of career civil servants to carry out those policies in good faith. Thus it is the moral obligation of the dichotomy that is important, not its empirical content.

Frederick Taylor made a contribution to the classical model with his time and motion studies and careful analysis of the role of managers and workers. His techniques and managerial practices were adopted widely in the United States and throughout the world in the early 20th century. Taylor's *Principles of Scientific Management*, published in 1911, was translated into German, and "Taylorism" was popular with German engineers before and after World War I.⁵ Taylor's principles of management emphasized tight control of work processes and careful planning by managers. Although his management techniques have been used at times to control workers to the point of domination, his original ideas did not necessarily imply the exploitation of workers.

The traditional model of public administration spread throughout the industrialized world and ushered in the relative success of modern industrialized economies. Guy Peters summaries the principles of the traditional model in the following list of its major characteristics: 1) An apolitical civil service; 2) Hierarchy and rules; 3) Permanence and stability; 4) An institutional civil service; 5) Internal regulation; 6) Equality (internally and externally to the organization).⁶ Since this traditional model was so successful in aiding the development of modern economies and Weber argued that it was the most efficient mode of organization possible, how could recent critics see it as old, outmoded, and inefficient?

The answer is one of context and scale. In his historical context, Weber was comparing bureaucratic organization to charismatic and traditional modes of organization. Clearly, bureaucracy is capable of more efficient organization than these other historical modes of domination. But the broader point is one of scale and time. If one wants to coordinate the actions of hundreds or thousands of people in any sophisticated endeavor (such as those that governments undertake) there is no realistic alternative to bureaucratic organization. Or if one wants a large scale enterprise to exist over a long time frame, from years to decades, one must organize it bureaucratically. This does not mean that all elements of every large scale organization must adhere to each of Weber's ideal type criteria, but the general outlines must be there: hierarchy, continuity, files, etc. When contemporary organizations are criticized for being inefficient, the implied comparison is with other contemporary organizations that sometimes work marginally better, not with completely different means of organization. In contemporary times, the most obvious alternative to bureaucracies is a market system; but in market systems large scale enterprises must be largely bureaucratic in order to exist over time (e.g. Fortune 500 companies in the United States). Similarly the exhortations to devolve or decentralize within government does not mean abandoning bureaucracy as a form of organization. It merely means shifting some functions from a large, centralized bureaucracy to smaller or geographically separated bureaucracies.

As Klaus Konig points out, some aspects of the NPM are not incompatible with traditional public administration:

Yet a distinction must be made as regards this renewal movement between those of its components that are compatible with the bureaucratic administration, even where it has a classical continental European character and those components which extend beyond the modernist, detail differentiations of state and administration. The idea of decentral responsibility for resources, for instance, is perfectly familiar to an organizational scenery featuring federalism, local self-government, departmental responsibility, formal organizations under private law, shifts of functions to external bodies and so on.⁷

Thus the point of departure for the "new public management" prescriptions is not nonindustrialized economies or non-developed countries. The NPM rather wants to improve fully developed governments at the margins. As we have learned from Russia after the fall of Communism, market capitalism in the absence of a strong system of business law, enforcement of contracts, and a regulatory structure can easily lead to lawlessness and the private use of force to enforce contracts (or to break them).

According to World Bank President James D. Wolfensohn, developing economies need: good governance with a system of laws, a justice system that enforces the laws (e.g. a contract system and bankruptcy laws), a financial system with accountable financial institutions, and a just social system.⁸ Without these prerequisites, economic development is impossible; and these prerequisites depend on a traditional form of public administration (which is not to say that NPM ideas are never relevant to developing countries).

One of the main concerns of the traditional model was the accountability of the implementors of public policy to the governing constitutional rulers. If a system of government has not yet achieved the threshold of accountability, the implementation of NPM techniques is risky and may be counterproductive.

II. The New Public Management

The term new public management encompasses a wide range of techniques and perspectives that are intended to overcome the inefficiencies inherent in the traditional model of public administration. Robert Behn defines the New Public Management as ". . .the entire collection of tactics and strategies that seek to enhance the performance of the public sector. . .

.^{"9} The starting point is that the traditional bureaucratic structures that ushered in the industrialized economies of the 20th century may have been appropriate for that era but have reached a point of diminishing returns. The large size and rigid structures of the traditional system are too cumbersome for the new era of instant communication and an economy in which economic value is based on information and its manipulation rather than industrial production. Production is still important, of course, but it is increasingly based on information systems.

Controlling behavior of workers from the top does not allow those closest to service delivery to react quickly enough. Thus the new public management favors decentralized administration, delegation of discretion, contracting for goods and services, and the use of the market mechanisms of competition and customer service to improve performance. It aims to achieve accountability through the measurement of outcomes rather than accounting for inputs. Performance measures will take the place of tight control from the top through rules and regulations. Granting more discretion to managers to manage is necessary; if they are to be held accountable for their performance, they must have the flexibility to use their judgment.

In the United States the NPM was embodied in the Clinton Administration's National Performance Review (NPR). The proponents of the NPR contended that the prevailing paradigm of government organization in the U.S. was established during the progressive era at the turn of the century and was a reaction to the negative effects of the spoils system with its lack of competence and susceptibility to governmental corruption. The progressive paradigm of government organization, they argued, was designed during the industrial revolution and was modeled on large scale bureaucracy with hierarchical control from the top to ensure responsiveness to law and adherence to policy.

But they argued that with the coming of the information revolution in the late twentieth century, the usefulness of the bureaucratic paradigm had been superseded by the need for more flexible organizations that can operate in a profoundly changed environment of global competition. The governmental reforms of the progressive era had been developed and elaborated so much that the rules and procedures that originally facilitated management came to choke off innovation. The admitted original benefits of large scale organization prevalent throughout the federal government were diminishing and the originally useful reforms had been counterproductive for some time.¹⁰

To Guy Peters the new public management includes a range of reforms that have been tried over the past two decades by governments seeking to improve efficiency. The approaches of the NPM include more participation, flexibility, and deregulation internally, and the use of market mechanisms externally.¹¹

Perhaps the most dominant theme of the new techniques is the attempt to use market mechanisms to improve performance in the public sector. This includes privatization, in which functions formerly performed by government are given over to private sector or business organizations. In the celebrated case of New Zealand, the government privatized state enterprises in telephone service, oil production, insurance, post office, and air transport.¹² In economies where the governmental sector is smaller and most sectors of the economy are already in private hands, such as the United States, privatization has taken the form of private sector delivery of goods and services that are paid for by the government, referred to as "contracting

out." It is argued that businesses act more efficiently than governments because of different incentives and greater flexibility, and so contracting will save the taxpayers money.

Donald Kettl summarizes the goal of the new public management approach as aiming to "Remedy a pathology of traditional bureaucracy that is hierarchically structured and authoritydriven," and "to root out authority-driven hierarchical systems."¹³ He summarizes the six "core characteristics" of the New public management approach as: productivity, marketization, service orientation, decentralization, a policy orientation, and accountability for results. Thompson and Thompson observe that the new public management approach "borrowed primarily from the literature of business administration, calling for more managerial freedom to use resources, a focus on results rather than inputs, and greater reliance on the private sector for service delivery."¹⁴

III. Contrasting Approaches to Public Administration

With respect to Public Administration, each modern state must answer the questions:

- 1. What shall be done: That is, who shall control policy?
- 2. Who shall do it: That is, who shall implement policies?
- 3. How shall compliance be enforced: That is, how shall performance be measured?

Each of these questions must be answered by striking a balance between accountability and efficiency. If emphasis is placed primarily on accountability, tight hierarchical controls will be imposed; only certified officials will take actions for the state; and success will be measured by how faithfully processes are followed. If emphasis is placed primarily on efficiency, hierarchies will be loosened and discretion delegated; people outside the governmental hierarchies will conduct governmental operations; and the emphasis will be on measuring outcomes rather than monitoring compliance with procedures.

1. Answering the question of what shall be done: That is, policy control.

In the traditional model of public administration fundamental control lies in the laws enacted by the legislature and their faithful execution by the executive authority. In the words of Klaus Konig:

In a state upholding the division of powers, the core of public administration lies in its executive function. Bound by the rule of legal regulations, it executes the laws passed by the democratic legislative body. In its hierarchical system of order it follows the instructions issued by the executive's political leaders.¹⁵

Laws are carried out or implemented by executive branch departments or ministries that are structured as strict hierarchies. Accountability is achieved by the control of each level of implementation by the superior level of control. If a policy is not faithfully carried out, accountability can be assigned by examining each stage of the process to determine who (in which position) is at fault. Accountability and control are the greatest strengths of this type of system; compared to all other systems, it is very reliable. The downside to this traditional model is that it is often relatively slow and cumbersome, and it is subject to the criticism that workers can become so concerned with complying with rules that they can lose sight of the overall goal or mission.

The new public management would alleviate the problems caused by tight, hierarchical control by delegating greater flexibility and discretion to lower levels in the production of goods and services. It would delegate implementing discretion to those closest to service delivery. They would have greater control of hiring and firing personnel as well as discretion about how to spend money in the accomplishment of policy goals. If program implementation is contracted out, management decisions are at the discretion of private sector managers; and their decisions are acceptable as long as they legally produce the goods or services under contract.¹⁶

2. Who shall do it? That is, personnel control.

In traditional public administration the personnel of government are hired through a merit system designed by the government personnel agency and often enacted in law. A merit system is designed to prevent partisan political interference in the implementation of policy. The hallmark of such a system is neutral competence, with competence achieved through a system of hiring the most qualified workers for the positions. Partisan neutrality is achieved through rules that protect workers from partisan political pressure and prevent them from actively participating in partisan political campaigns.

The new public management approach would carry out the policies of the state largely with employees who are not directly employed by the government. In the case of privatization, the government would abandon the attempt to provide some services entirely and leave their provision to the private sector. Control would be achieved through the market system; if goods are overpriced, a competitor will spring up to provide them at a lower price in order to make a profit.

When the market will not provide some services because there are not enough customers who will pay for them, or not enough will be provided to accomplish the goals of the state, the new public management advocates the contracting by government with private businesses to carry out the purposes of the state. It is argued that private businesses can manage efficiently because they are not encumbered with the rules and regulations of merit systems (e.g. merit competition, classification, appeals of adverse actions, etc.) and they can hire the workers they need in an efficient labor market. The result will be that the government's goals will be accomplished at a cost to the public that competition will keep to a minimum. When government functions are contracted out to private organizations, some contract-imposed constraints may apply. But to impose a set of merit constraints on contractors could very well undermine the flexibility that contracting out is intended to provide and is one of the bases for using contracts in the first place.¹⁷

The conditions for successful contracting include a market for goods and services in which there is competition among many firms and few barriers to entry. The costs that ought to be calculated when governments write contracts, in addition to the cost of production, include the

expertise needed to write a precise contract and the cost of overseeing the contractor and inspecting the product.

3. How shall success be measured? That is, inputs, outputs, or outcomes.

Without the discipline of a market system which is presumed to measure the economic value of goods and services produced in the private sector, it is difficult to place an economic value on goods and service produced by governments. The decision to produce public goods is a political choice made by political authorities. The definition of public goods includes those goods and services that the private sector will not produce (or will not produce enough of), because their production is not profitable enough. The decision about what goods and services this category includes is thus a political judgment. But this leaves the problem of how to measure the economic value of such goods and judge whether they are being produced efficiently.

The traditional model of public administration places its major emphasis on accomplishing the mission and accountability for resources. A hallmark of the traditional model is its rhetorical stress on efficiency. But efficiency is very difficult to measure, and perhaps the rhetorical value of efficiency is so high *because* it is so hard to measure objectively. At a microlevel, of course, efficiency can be judged over time (e.g. more output from the same resources than last year) or compared with a similar unit producing comparable goods. But at higher levels of generality, e.g. at the program level, there are no broadly accepted measures of efficiency. Thus one of the most common measures of government production is that of resources used, that is, inputs.

There is a parallel between stages and functions of budgeting as analyzed by Allen Schick and developing approaches of measuring the production of governmental services. Schick argued that "line item budgeting," that is, careful accounting for the inputs used in government programs, was developed between 1915 and 1935.¹⁸ It is control oriented, good at preventing financial impropriety, and easy to understand.

Traditional accounting for governmental programs emphasizes the inputs that are used to accomplish missions, for example, number of personnel, dollar totals, number of vehicles, number of computers, energy consumed, etc. These measures are very good for accountability and for assuring that resources are not being stolen and that they are being used for the purposes for which they were intended. This type of accountability is also easy for overseers to understand, e.g. chief executives, the central budget agency, or legislators. Thus this inputs approach is quite popular and hard to replace with more sophisticated measures of efficiency or productivity.

In contrast to the line-item or inputs approach, performance budgeting was developed between 1935 and 1960, and was intended to provide measures for evaluating the performance of certain functions. Rather than a control orientation, it was management oriented, and intended to measure the performance of governmental activities. The focus was on work to be done (activities) rather than the things (inputs) to be used in the work. The activities done were the outputs of the government programs. In contrast to performance measurement, Schick argued that program budgeting, developed since 1960, would focus on outcomes rather than inputs or activities. Outcomes are the societal changes that are the intended purposes of governmental programs, for example, good health, national security, efficient transportation, justice, etc. The problem, of course, is that it is very difficult to measure outcomes, and even if they can be measured, it is extremely difficult to attribute their achievement to any one governmental program.

The New Public Management approach rejects measuring inputs and advocates the use of "performance measures" to evaluate programs and management. Accountability for resources is less important than the accomplishment of goals at a given cost. Creative managers should be given the widest flexibility to use the resources at their disposal to accomplish programmatic missions. Their success will be measured by their performance in accomplishing goals rather than in their careful accounting for the resources (inputs) used.

This model of performance measurement is quite attractive, as long as valid measures of public purposes can be devised. If we have good measures, we can choose between contractors by evaluating their measured output, and we can judge government agencies against proposals by contractors on the common measures. Managers can be rewarded based on the achievement of their performance goals. The difficulty lies in choosing the correct indicators that will validly measure what the governmental program is really intended to accomplish. The more precisely the service or good can be objectively specified, the more likely the public will be able to evaluate the product and judge whether it is getting the best value for its payments. In comparing public versus private delivery of goods and services, the costs of production must be evaluated as well as the costs of writing the contract and monitoring its implementation.¹⁹

Thus NPM techniques work best when the government wants to purchase goods whose quantity and quality can be easily assessed. The closer the production resembles traditional private sector goods, the easier it is to create performance measures to assure that contracts have been honored. There are some services that can be relatively easily measured, such as janitorial services or medical services. But when it comes to analytical services or unique products, the more difficult the problem of measurement becomes. Even if precise measurement is impossible, it may still make sense to contract with businesses, for example for advanced weapons systems or computing systems. But social services or analytic services are difficult to measure. The more you move to professional services that call for judgement or products that are unique, the more expertise is necessary to monitor the quality of service and the more costly it is to monitor performance.

IV. Conclusion

A tension between accountability and efficiency has marked the contrast of traditional public administration and the new public management. The traditional model tilts toward accountability. Max Weber's answer tilted toward accountability in the form of bureaucracy, with strict hierarchical control from the top. Woodrow Wilson's answer was the politics/administration dichotomy in which civil servants would use efficient techniques to carry out political policy choices. Frederick Taylor's answer was the tight management control of

refined manufacturing techniques of scientific management.

The new public management favors loosening the strictures of the traditional model to allow for more creativity and flexibility in order to achieve new efficiencies and better customer service. It would give lower level managers more flexibility to use their own information and judgment to make decisions (that is, "let managers manage"). It would encourage managers to take risks and be more entrepreneurial. And it would achieve accountability by measuring outputs rather than by monitoring processes. In states with large public sectors, it encourages privatizing functions, and in states with smaller public sectors it encourages contracting with private organizations for the provision of public goods and services.

The tension between traditional public administration and the new public management reflects the fundamental tension between accountability and efficiency that has always characterized public administration, but the balance is in flux. In Anglo-American systems the balance has shifted toward efficiency in the late 20th century. While much progress has been made, the main political vulnerability of the contracting out movement in the United States is corruption.²⁰ The U.S. political system has had long experience with the corruption of public officials by the bribery of greedy contractors. If large scale or high visibility corruption is discovered and attributed to increased contracting, the pendulum will swing back toward accountability. But the advances of the NPM will not be lost entirely, just as the positive contributions of previous management fads were not lost even after their initial formulations had been abandoned.²¹

A less visible vulnerability of the NPM approach in the U.S. is the gradual eroding of the capacity of the government to oversee competently the production of goods and services. It is difficult for governments to match the higher salaries offered in the business world, even though financial gain is often not the most important incentive for public administrators. But a strong counter weight to any move by the government to take back control of the production of formerly contracted out services will be the political clout of contractors who will lobby the legislature against elimination of contracting programs.

Thus new public management approaches can be useful to governments and ought to be seriously considered. But NPM is not a blanket solution to all of the problems of public administration in modern governments.

ENDNOTES

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 ⁴ See H. Heclo, "The In-and-Outer System: A Critical Assessment," in *The In-and-Outers*, G. C. Mackenzie (ed.),

Baltimore: Johns Hopkins University Press 1987, pp. 195-216.

⁵ R. Kanigal, *The One Best Way*, NY: Viking 1997, pp. 492-495, 526-528.
⁶ B. G. Peters, *The Future of Governing*, 2nd ed., Lawrence, KS: University Press of Kansas 2001, pp. 3-12.

⁷ K. Konig, "Public Administration – Post-Industrial, Post-Modern, Post-Bureaucratic," in New Trends in Public Administration and Public Law, European Group of Public Administration, Budapest University of Economic Sciences, Center for Public Affairs Studies 1996, p. 39.

See D. F. Kettl, The Global Public Management Revolution, Washington: Brookings, 2000, p. 59.

⁹ R. D. Behn, *Rethinking Democratic Accountability*, Washington: Brookings 2001, p. 26.

¹⁰ See J.P. Pfiffner, "The National Performance Review in Perspective," *International Journal of Public* Administration, Vol 20, No. 1 (1997), pp. 41-70.

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¹³ D. Kettl, *The Global Public Management Revolution*, (note 8) p. 30, 33.

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¹⁶ See J.P. Pfiffner, "Government Legitimacy and the Role of the Civil Service," in J. P. Pfiffner and D. A. Brook, The Future of Merit Twenty Years after the Civil Service Reform Act, Washington: Woodrow Wilson Press 2000, p. 15-38.

¹⁷ For an analysis of the applicability of merit principles to personnel systems working under contract to the government, see J.P. Pfiffner, "The Public Service Ethic in the New Public Personnel Systems," Public Personnel *Management*, Vol. 28, No. 4 (Winter 1999), pp. 541-555. ¹⁸ A. Schick, "The road to PPB: The Stages of Budget Reform," in *Perspectives on Budgeting*, 2nd ed. A. Schick

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²⁰ See H.G. Frederickson, *The Spirit of Public Administration*, San Francisco: Jossey-Bass 1997, Chapter 7.

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