Public Administration can be broadly described as the development, implementation, and study of government policy. Public Administration is linked to pursuing thepublic good by enhancing civil society and social justice. Though Public Administration has historically referred to government management, it increasingly encompasses non-governmental organizations that are not acting out of self-interest.

The Public Administration sector consists of establishments of federal, state, and local government agencies that administer, oversee, and manage public programs and have executive, legislative, or judicial authority over other institutions within a given area. These agencies also set policy, create laws, adjudicate civil and criminal legal cases, provide for public safety and for national defense.

In general, government establishments in the Public Administration sector oversee government programs and activities that are not performed by private establishments. Establishments in this sector typically are engaged in the organization and financing of the production of public goods and services, most of which are provided for free or at prices that are not economically significant.

Government establishments also engage in a wide range of productive activities covering not only public goods and services but also individual or private goods and services similar to those produced in sectors typically identified with private-sector establishments.

Administration and Management

The words ‘management’ and ‘administration’ are close in meaning, but a brief foray into semantics allows a case to be made that the terms ‘management’ and ‘administration’ are significantly different and that a manager performs a different role from an administrator.

The Oxford Dictionary defines administration as: ‘an act of administering’, which is then ‘to manage the affairs of’ or ‘to direct or superintend the execution, use or conduct of’, while management is: ‘to conduct, to control the course of affairs by one’s own action, to take charge of’. The Latin origins of the two words also show significant differences. Administration comes from minor then ministrare, meaning: ‘to serve, and hence later, to govern’. Management comes from manus, meaning: ‘to control by hand’. The essential difference in meaning is between ‘to serve’ and ‘to control or gain results’.

From these various definitions it is argued that administration essentially involves following instructions and service, while management involves: first, the achievement of results, and secondly, personal responsibility by the manager for results being achieved. The terms administration and management are not synonymous, neither is their application to the public sector. Public administration is an activity serving the public, and public servants carry out policies derived from others. It is concerned with procedures, with translating policies into action and with office management. Management does include administration, but also involves organization to achieve

objectives with maximum efficiency, as well as genuine responsibility for results.

It follows that a public service based on administrative concepts will be different from one based on management and there are continuing and unresolved tensions between the two views.

PART II

Text C

Public Administration as Theory and Practice

What is here called the traditional model of public administration6 was once a major reform movement. Where previously amateurs bound by personal loyalties to leaders carried out public administration, the task became a professional occupation which was carried out by a distinct merit-based public service1. Serving the public at the time was a high calling, one that required the best people available to form a distinct administrative elite and to act always according to the law and established precedents. Politicians might come and go but, while the apparatus of government was in the hands of permanent officials9, the transition between regimes could be handled smoothly. Public administration as both theory and practice began in the late nineteenth century, became formalized somewhere between 1900 and 1920, and lasted in most Western countries largely unchanged until the last quarter of the twentieth century.

The traditional model can be characterized as: an administration under the formal control of the political leadership, based on a strictly hierarchical model of bureaucracy10, staffed by permanent, neutral and anonymous officials, motivated only by the public interest8, serving any government party equally, and not contributing to policy11 but merely administrating6 those policies11 decided by the politicians. Its theoretical foundations mainly derive from Woodrow Wilson1 and Frederic Taylor in the United States, Max Weber2 in Germany, and the Northcote-Trevelyan Report3 of 1854 in the United Kingdom.

The traditional model of public administration remains the longest standing and most successful theory of management in the public sector4, but is now being replaced. It has not disappeared overnight and elements of it still exist, but its theories and practices are now considered old-fashioned and no longer relevant to the needs of a rapidly changing society. There has been a transformation in the management of the public sectors of advanced countries. The traditional model of public administration, which predominated for most of the twentieth century, has changed since the mid-1980s to a flexible, market-based form of public management7. This is not simply a matter of reform or a minor change in management style, but a change in the role of government in society and the relationship between government and citizenry12. Traditional public administration has been discredited theoretically and practically, and the adoption of new forms of public management means the emergence of a new paradigm in the public sector.

This new paradigm poses a direct challenge to several of what had previously been regarded as fundamental principles of traditional public administration.

The first of these was that of bureaucracy, that governments should organize themselves according to the hierarchical, bureaucratic10 principles most clearly enunciated in the

classic analysis of bureaucracy by the German sociologist Max Weber. Although adopted by business and other institutions, these precepts were carried out far more diligently and for longer in the public sector.

Secondly, there was one-best-way of working and procedures were set out in comprehensive manuals for administrators6 to follow. Strict adherence to these scientific management principles (Taylor, 1911) would provide the single best way of operating an organization.

The third principle was bureaucratic delivery13; once government involved itself in a policy area, it also became the direct provider of goods and services through the bureaucracy.

Fourthly, there was general belief among administrators in the politics/administration dichotomy19, that is, where political and administrative6 matters could be separated. The administration would be an instrument merely to carry out instructions, while any matters of policy or strategy were the preserve of the political leadership (Wilson, 1941).

Fifthly, the motivation of the individual public servant2 was assumed to be that of the public interest; in that service to the public was provided selflessly.

Sixthly, public administration was considered a special kind of activity and, therefore, required a professional bureaucracy, neutral, anonymous, employed for life, with the ability to serve any political master equally.

Seventhly, the tasks involved in public service were indeed administrative in the dictionary sense, that is, following the instructions provided by others without personal responsibility for results.

These seven seeming verities have been challenged.

First, bureaucracy is indeed powerful but does not work well in all circumstances and has some negative consequences.

Secondly, trying to find the one-best-way is elusive and can lead to rigidity in operation. Flexible management systems pioneered by the private sector are being adopted by governments.

Thirdly, delivery by bureaucracy is not the only way to provide public goods and services5; governments can operate indirectly through subsidies14, regulation15 or contracts, instead of always being the direct provider.

Fourthly, political and administrative matters have in reality been intertwined for a long time, but the implications of this for management structures are only now being worked through. The public demands better mechanisms of accountability16 where once the bureaucracy operated separately from the society.

Fifthly, while there may be public servants motivated by the public interest, it now seems incontrovertible that they are political players in their own right. They may also be assumed to work for their own advancement and that of their agency17, instead of being pure and selfless.

Sixthly, the case for unusual employment conditions in the public services3 is now much weaker, especially given the changes that have taken place in the private sector where jobs for life are rare.

Finally, the tasks involved in the public sector are now considered more managerial, that is, requiring someone to take responsibility for the achievement of results, instead of being regarded as administrative and with public servants merely following instructions.

Economic problems in the 1980s meant governments reassessed their bureaucracies and demanded changes. As Caiden4 argued, ‘All blamed the dead hand of bureaucracy, especially the poor performance of public bureaucracies and the daily annoyances of irksome restrictions, cumbrous red-tape, unpleasant officials, poor service and corrupt practices18,’ (1991). A radical change in organizational culture is occurring, but not without cost. The new approach has problems, not the least of them the disruption to standard operating procedures and poor morale. There seemed to be a long way to go before a new results-based management could emerge, although there was no going back to the traditional model of public administration.

Early Administration

Public administration has a long history, one paralleling the very notion of government. Administrative systems existed in ancient Egypt to administer irrigation from the annual flood of the Nile and to build the pyramids. China in the Han dynasty (206 BC to AD 220) adopted the Confucian precept that government should be handled by men chosen, not by birth, but by virtue and ability, and that its main aim was the happiness of the people.

In Europe the various Empires – Greek, Roman, Holy Roman, Spanish, and so on – were, above all, administrative empires, controlled from the centre by rules and procedures. The development of ‘modern’ states in the Middle Ages is argued by Weber to have ‘developed concomitantly with bureaucratic structures’. Although some kind of administration existed earlier, however, the traditional model of public administration really dates from as late as the mid-nineteenth century.

Earlier systems of administration shared one important characteristic. They were ‘personal’, that is, based on loyalty to a particular individual such as a king or a minister, instead of being ‘impersonal’, based on legality and loyalty to the organization and the state. Their practices often resulted in corruption or misuse of office for personal gain, although the very idea that these are undesirable features of administration itself only derives from the traditional model. Practices that now seem alien were commonplace ways of carrying out government functions under earlier administrative arrangements. It was once common for those aspiring to employment by the state to resort to patronage20 or nepotism21 , relying on friends or relatives for employment, or by purchasing offices; that is, to pay for the right to be a customs or tax collector, and then to charge fees to clients, both to repay the initial sum invested and to make a profit. In early colonial Sydney, the customs officer personally received five per cent of all duties collected and the police were paid a shilling for ‘apprehending and lodging in gaol any sailor who may be found riotous and disorderly’. Key administrative positions were usually not full-time but were only one of the activities of someone in business. The normal way for a young man to gain government employment (only men were employed) was to apply to some relative or family friend in a position to help. There was no guarantee that people employed by the system would be competent in any way.

In the United States for most of the nineteenth century, there existed what was termed the spoils system of administration, derived from the saying ‘to the victor belong the spoils’. After an election in which a new party was elected – and this applied to elections from the local level to the Presidency – every administrative job from the top to the bottom could be filled by an appointee from the winning party. This system reached its nadir in the 1830s during the

presidency of Andrew Jackson, who believed that there was no specific expertise involved in public administration, nor was there any reason that the administration of government should persist when its political complexion changes. The benefits of public office – patronage, direct financial benefits – rightly belong to the successful party in an election.

Jackson thought there were advantages in making the administration more egalitarian22 and democratic: ‘I can not but believe that more is lost by continuance of men in office than is generally gained by their experience.’ Presumably, by changing officeholders whose loyalties were clearly to the party, much could be gained, perhaps even reduced corruption. It could even be argued that political accountability was enhanced in ‘reaction to a sense that government had not been sufficiently responsive to changes in the electoral will.’ This egalitarian philosophy fit well with the American distrust of government, but had major drawbacks such as the periodic chaos which attended changes of administration; the popular association of public administration with politics and incompetence; the growing conflicts over appointments, etc. Such a system was neither efficient nor effective. Citizens did not know where they stood when government administration was, in effect, a private business in which government decisions, money and votes were negotiable commodities.

Eventually, the inherent problems of earlier forms of administration led to changes in the latter part of the nineteenth century and to the reforms associated with the traditional model of administration. Pre-modern bureaucracies were ‘personal, traditional, diffuse, ascriptive and particularistic’ where modern bureaucracies, exemplified by Weber, were to become ‘impersonal, rational, specific, achievement-oriented and universalistic.’ Earlier practices now seem strange because of the very success of the traditional model of administration. Professional, non-partisan administration is so familiar to us that it is hard to imagine that any other system could exist.

The Reforms of the Nineteenth Century

The beginning of the traditional model is best seen in mid-nineteenth century Britain. In 1854, theNorthcote-Trevelyan Report recommended that ‘the public service should be carried out by the admission into its lower ranks of a carefully selected body of young men’ through ‘the establishment of a proper system of examination before appointment’. It recommended: the abolition of patronage and the substitution of recruitment by open competitive examinations under the supervision of a central examining board; reorganization of office staffs of central departments in broad classes to deal with intellectual and mechanical work respectively; and filling higher posts by promotion from inside based on merit. Northcote-Trevelyan signals the start of merit-based appointments to the public service and the gradual decline of patronage. The Report emphasizes personnel matters and its recommendations were implemented slowly, but it does represent a beginning to the traditional model of public administration. From Northcote and Trevelyan derive appointment by merit through examinations, and non-partisan, neutral administration.

The United Kingdom reforms of the mid-nineteenth century influenced opinion in the United States. The evils of the spoils system were all too evident in the corruption endemic in government, particularly in the cities. In1881, President Garfield was assassinated by a disappointed spoils seeker – someone who thought he had been promised a civil service position – and this event gave further impetus to the movement for reform that was already in existence. As a result, in 1883, theCivil Service Act (thePendleton Act) was passed which established a bipartisan Civil Service Commission and contained four key points: (i) the holding of competitive examinations for all applicants to the classified service; (ii) the making of appointments to classified service from those graded highest in the examinations; (iii) the interposition of an effective probationary period before absolute appointment; (iv) the apportionment of appointments at Washington according to the population of the several states and other major areas. The Pendleton Act was certainly inspired by the British civil service

reforms, although the United States did not adopt the rigid four-class system or the requirement that entrance only be at the base grade.

The model was greatly influenced by Woodrow Wilson in the United States, one of the key activists in the United States reform movement, and Max Weber in Europe. Weber formulated the theory of bureaucracy, the idea of a distinct, professional public service, recruited and appointed by merit, politically neutral, which would remain in office throughout changes in government. Wilson put forth the view that politicians should be responsible for making policy, while the administration would be responsible for carrying it out. From both is derived the notion that administration could be instrumental and technical, removed from the political sphere. Still later, the principles of scientific management, from Frederick Taylor, were adopted for the public sector.

Wilson, Taylor and Weber, who were contemporaries, are the main influences on the traditional model of public administration.

Weber’s Theory of Bureaucracy

The most important theoretical principle of the traditional model of administration is Weber’s theory of bureaucracy. Throughout its long history, the traditional model followed Weber’s theory virtually to the letter, either implicitly, or explicitly, although it is important to note that bureaucracy existed as a practice prior to Weber setting it out as a theory.

In setting out a basis for his theory, Weber argued that there were three types of authority: the charismatic – the appeal of an extraordinary leader; the traditional – such as the authority of a tribal chief; and rational/legal authority. The latter was both rational and legal, naturally, as opposed to the other forms of authority, and formed the basis of his theory of bureaucracy.

Weber set out six principles for modern systems of bureaucracy:

The principle of fixed and official jurisdictional areas, which are generally ordered by rules, that is by laws or administrative regulations.

The principles of office hierarchy and of levels of graded authority mean a firmly ordered system of super- and sub-ordination in which there is a supervision of the lower offices by the higher ones.

The management of the modern office is based upon written documents (‘the files’) which are preserved. The body of officials actively engaged in ‘public’ office, along with the respective apparatus of material implements and the files, make up a bureau … In general, bureaucracy segregates official activity as something distinct from the sphere of private life … Public monies and equipment are divorced from the private property of the official.

Office management, at least all specialized office management – and management is distinctly modern – usually presupposes thorough and expert training.

When the office is fully developed, official activity demands the full working capacity of the official … Formerly, in all cases, the normal state of affairs was reversed: official business was discharged as a secondary activity.

The management of the office follows general rules, which are more or less stable, more or less exhaustive, and which can be learned. Knowledge of these rules represents a special technical learning which the officials possess. It involves jurisprudence, or administrative or business management.

The principles of bureaucracy have become so ingrained in society that these points seem obvious, but they did present a substantial advance on early administration. The main differences and advances of the Weberian system are best understood by comparison with earlier models of administration. The key contrast, the most important difference between Weber and previous models, is the replacement of personal administration with an impersonal system based on rules. An organization and its rules are more important than any individual within it. This is a very important point. Earlier administration was based on personal relationships – loyalty to a

relative, patron, leader or party – and not to the system itself. At times the earlier model may have been more responsive politically, in that the administration was more clearly an arm of the politicians or the dominant classes favoured by appointments. But it was also often arbitrary, and arbitrary administration can be unjust. An impersonal system based on Weber’s principles removes arbitrariness completely – at least it does in the ideal case. The existence of the files, the belief in precedent and the basis in law mean that the same decision is always made in the same circumstances. Not only is this more efficient, but citizens, and those in the bureaucratic hierarchy, know where they stand.

The individual official occupies a key place in Weber’s theory. Office holding is considered a vocation, following examinations and a rigorous course of training. According to Weber, ‘entrance into an office is considered an acceptance of specific obligation of faithful management in return for a secure existence.’ He specified the position of the official in the following way:

The modern official always strives for and usually enjoys a distinct social esteem as compared with the governed.

The pure type of bureaucratic official is appointed by a superior authority. An official elected by the governed is not a purely bureaucratic figure.

Normally, the position of the official is held for life, at least in public bureaucracies.

Where legal guarantees against arbitrary dismissal or transfer are developed, they merely serve to guarantee a strictly objective discharge of specific office duties free from all personal considerations.

The official receives the regular pecuniary23 compensation of a normally fixed salary and the old age security provided by a pension. The salary is not measured like a wage in terms of work done, but according to ‘status’, that is, according to the function (the ‘rank’) and, in addition, possibly, according to the length of service.

The official is set for a ‘career’ within the hierarchical order of the public service. He moves from the lower, less important, and lower paid to the higher positions.

These points follow logically from the six principles of bureaucracy. The official is to be part of an elite with status higher than that of ordinary citizens. Along with Northcote-Trevelyan, Weber’s theory required recruitment by merit, not by election or by patronage, into a position normally held for life in exchange for impartial service. Part of the lifetime and full-time career of the public servant is the principle of fixed salary and the prospect of advancement through the hierarchical structure.

The two principles – the model of bureaucracy and position of the official – had specific purposes. A formal, impersonal system offers ‘the optimum possibility for carrying through the principle of specialising functions according to purely objective considerations’. Decisions would and should be made according to ‘calculable rules’ and ‘without regard for persons’. The general aims were certainty, impersonality and efficiency. The idea was to create a system that was at the highest possible level of technical efficiency.

Weber’s idea that bureaucracy was the most efficient form of organization applies to all large undertakings. The formal model of bureaucracy is applicable to both the private and public sector, but there is little doubt it was embraced more readily and for longer in public administration.

Wilson and Political Control

In the traditional model of public administration, the rules linking the political leadership with the bureaucracy are clear, at least in theory. Woodrow Wilson – a Professor at Princeton for many years before becoming United States President – argued that there should be a strict separation of politics from the administration; of policy from the strictly administrative task of carrying it out. As he argued in 1886:

Administration lies outside the proper sphere of politics. Administrative questions are not political questions. …Public administration is detailed and systematic execution of public law. Every particular application of general law is an act of administration. The assessment and raising of taxes, for instance, the hanging of a criminal, the transportation and delivery of the mails, the equipment and recruiting of the army and navy, etc., are all obviously acts of administration, but the general laws which direct these things to be done are obviously outside of and above administration. The broad plans of governmental action are not administrative; the detailed execution of such plans is administrative.

Wilson believed that the evils of the spoils system resulted from the linking of administrative questions with political ones. If administrators act in an overtly political manner, whether due to the process by which they were appointed, or their continuing role within the party organization, corruption is likely to result and arbitrary decisions almost certain. Separation of the political sphere, where policy derives, from the administrative sphere, where policies are administered, could address many evils of the spoils system.

Traditional public administration elevated the distinction between administrative and political matters to its guiding principle – that of politics/administration dichotomy. The dichotomy between politics and administration allowed room for a new criterion for public action, based on the insertion of professionalization, expertise, and merit values into the active direction of government affairs.

The traditional system of administration in parliamentary countries similarly aimed for a separation of policy from administration. There are three main facets to political control in the traditional model of administration, most notably in Westminster systems1. First, there is a clear relationship between accountability and responsibility. A department or agency has two basic roles: to advise the political leadership on the development, review and implementation of policy, and to manage its own resources so that policy may be implemented. Each public servant is technically accountable, through the hierarchical structure of the department, to the Cabinet, and eventually to the people. Second, there should be a strict separation between matters of policy, which are formally the province of politicians, and matters of administration, which are left to the public service. Third, the administration is presumed to be anonymous and neutral, that is, not personally associated with any decisions or policies that are carried out only in the name of the minister; and non-partisan in the party-political sense and able to serve equally to any political leader. Westminster systems added the formal system of ministerial responsibility. If ministers accept personal responsibility for all the activities of their departments, public servants should remain anonymous and not publicly identified with the advice they give to ministers. In return for serving ministers from whatever party to the best of their ability, that is, for acting impersonally and objectively, public servants receive certain benefits in their conditions of service, such as security of employment, despite changes of government, and a decent pension.

In the traditional model of administration, the worlds of the politician and the public official were to be separate. Although the theory of separation – of dichotomy – between politics and administration was a major part of the traditional model of administration, it was, for many years, widely regarded as a myth, especially useful for the evasion of responsibility. In reality, the two are effectively ‘fused with politicians performing administrative duties and administrators assuming political responsibilities’ (Caiden, 1982). It was a fantasy to assume that politicians and administrators could be separate, but bureaucratic structures were constructed as though the myth was reality.

Taylor and Management

The traditional model of administration was fully formed by the 1920s and continued with remarkably little change for at least fifty years. The bureaucracy was supposed to be permanent and neutral; it was not engaged in policy or politics, but was an instrument of great

power to be wielded by the politicians. Although the theoretical foundations of bureaucracy and political control were firmly established and essentially unchanged, there were public sector adaptations of management theory. All that was needed for a complete theory was a way of working, of organizing, to be added to the bureaucratic model of Weber, the political control of Wilson and the merit appointments and political neutrality of Northcote-Trevelyan. This was found in the scientific management principles put forward for the private sector by Frederic Winslow Taylor (1911). There were two main points to Tailor’s theory: standardizing work, which meant finding the ‘one best way of working’ and ‘controlling so extensively and intensively as to provide for the maintenance of all these standards’.

Scientific management became an evangelical force in the early years of the century. What Taylor sought was a fundamental change as efficiency and science replaced ad hoc decision-making, even a societal change as, through scientific management, the interests of employees and employers could be shown to be the same.

Scientific management fits very well with the theory of bureaucracy: the skills of the administrator, the compilation of manuals to cover every contingency, the advance of rationality, and impersonality are aspects of both. Standardization of tasks and fitting workers to them was perfect for the traditional model of administration. Even the measurement of performance by stop-watch was common in the organization and methods branch of large public bureaucracies.

Taylor remains important for public administration, as his theory of scientific management became a key influence on what followed in the management of public and private sectors. Although particular points could be disputed – the crude theory of personal motivation, time-and-motion studies – the idea that management could be systematic remained important in the public sector: ‘a strong, effective administrative system could flourish if politics was restricted to its proper sphere, if scientific methods were applied, and if economy and efficiency were societal goals’ (Stillman2, 1991).

Human Relations Theory

Another theory, ‘human relations’, is often contrasted with scientific management. The focus of human relations is more on the social context at work rather than regarding the worker as an automaton responsive only to financial incentives. The human relations school had its roots in social psychology, and although quite different in some respects, became as much of a continuing tradition in public administration as did scientific management.

Although the human relations idea has many theorists, the real founder was Elton Mayo3. In a series of experiment s during the 1930s, Mayo found that the social context of the work group was the most important factor in management. Conflict was pathological and to be avoided, and there was no necessary antagonism between management and workers. In what became known as the ‘Hawthorne experiments’, referring to the Hawthorne plant of Western Electric, Mayo found that productivity increased most by taking an interest in the workers, and other factors, including financial incentives, were much less important.

Mayo and his followers had substantial impact on the management of the public sector, even if more recent work has cast doubt on the value of interpretations of the original data, showing most particularly that financial incentives were important after all. Consideration of the psychological context of the organization was responsible for a major school of thought in theories of organizational behavior. The idea that individuals responded to other than financial motives led to an improvement in working conditions.

Mayo influenced those who thought management should be kinder to their workers and provide some kind of social interaction, including in government. Public organizations had fewer competitive constraints than the private sector and, arguably, went further in introducing human relations, particularly in the 1960s and 1970s. One of the widely-held outside criticisms of the public bureaucracy has been that workers are treated too well and had to do so little compared to the private sector.

The Golden Age of Public Administration

Early practitioners were confident, assured of their theories and, above all, believed that the improvement of government and its administration offered the promise of a better life for all. Public administration in its Golden Age, from around 1920 to the early 1970s, was a worthy enterprise, with government and public service offering the hope of improving society. Public administration was responsible for some major achievements in this time, ranging from administering the New Deal4, to building dams and running the nascent welfare systems of developed countries as well as entire economies during World War II.

It seemed that all that was needed was to establish a set of nostrums, follow them exactly and the outcome would be all that could be desired. One variation was the ‘POSDCORB’ set of functions where this acronym stood for:

Planning: goal setting techniques/methods applied by executives as a means of preparing future courses of organizational action;

Organizing: arranging the organizational structure and processes in an appropriate manner essential to achieving these ends;

Staffing: recruiting and hiring personnel to carry out the essential agency work;

Directing: supervising the actual processes of doing the assignments;

Coordinating: integrating the various detailed elements of these tasks in cooperation with other units and people in government;

Reporting: tracking and communicating the progress of the work within the organization;

Budgeting: fiscal and financial activities necessary to economically support the completion of these programmes, services, or activities.

As early as the 1940s, POSDCORB was attacked as being counter to the human relations movement. POSDCORB and other classical approaches ‘were viewed as attempts to exploit, control, and manipulate workers.’

Text A

Public Sector

The public sector is the part of economic and administrative life that deals with the delivery of goods and services by and for the government, whether national, regional or local/municipal. Examples of public sector activity range from delivering social securityto administering urban planning and organizing national defenses. The organization of the public sector (public ownership) can take several forms, including: \* direct administration funded throughtaxation; the delivering organization generally has no specific requirement to meet commercial success criteria, and production decisions are determined by government; \* publicly owned corporations (in some contexts, especially manufacturing, "state-owned enterprises"), which differ from direct administration in that they have greater commercial freedoms and are expected to operate according to commercial criteria, and production decisions are not generally taken by government (although goals may be set for them by government). A borderline form iscomplete outsourcing or contracting out, with a privately owned corporation delivering the entire service on behalf of government. This may be considered a mixture of private sector operations with public ownership of assets, although in some forms the private sector's control and/or risk is so great that the service may no longer be considered part of the public sector. In spite of their name, public companies are not part of the public sector; they are a particular kind of private sector company that can offer their shares for sale to the general public.

The decision about what are proper matters for the public sector as opposed to the private sector is probably the single most important dividing line among socialist, liberal, conservative, and libertarian political philosophy, with (broadly) socialists preferring greater state involvement, libertarians favoring minimal state involvement, and conservatives and liberals favoring state involvement in some aspects of the society but not others.

Government Agency

A government agency is a permanent or semi-permanent organization in the machinery of government that is responsible for the oversight and administration of specific functions, such as an intelligence agency. There is a notable variety of types of agency. Although usage differs, a government agency is normally distinct both from a Department or Ministry, and other types of public body established by government. The functions of an agency are normally executive in charactersince different types of organization (such as commissions) are normally used for advisory functions, but this distinction is often blurred in practice.

A government agency may be established by either a national government or a state government within a federal system. (The term is not normally used for an organization created by the powers of a local government body.) Agencies can be established by legislation or by executive powers. The autonomy, independence and accountability of government agencies also vary widely.

An Executive Agency is a part of a government department that is treated as managerially and budgetarily separate in order to carry out some part of the executive functions of the United Kingdom government, Scottish Executive, Welsh Assembly and Northern Ireland Executive. Executive agencies are "machinery of government" devices distinct from both non-ministerial government departments, on the one hand, and non-departmental public bodies (or "quangos"), on the other, each of which enjoy a real legal and constitutional separation from ministerial control.

The agencies model of government was introduced to the UK in 1988 following the publication of Improving management in Government, a report by Sir Robin Ibbs, Efficiency Adviser to then Prime MinisterMargaret Thatcher. The report heavily criticized the centralized Civil Service management of public services, saying that too much work was done on policy and too little on delivery, that there was a shortage of management skills in government and that there was a focus on short-term rather than long-term goals. The chief recommendation of the report was to set up Executive Agencies, each headed by a Chief Executive, that would concentrate solely on delivery of policy rather than policy itself. The first agency, the Vehicle Inspectorate, was established in August 1988.

The initial success or otherwise of Executive Agencies was examined in the Sir Angus Fraser's Fraser Report of 1991. Its main goal was to identify what good practices had emerged from the new model and spread them to other agencies and departments. The report also recommended further powers be devolved from ministers to chief executives. A whole series of reports and White Papers examining governmental delivery were published throughout the 1990s, under both Conservative and Labour governments. During these the agency model became the standard model for delivering public services in the United Kingdom. By 1997 76% of civil servants were employed by an agency. The new Labour government in its first such report – the 1998 Next Steps Report endorsed the model introduced by its predecessor. The most recent review (in 2002) made two central conclusions:

"The agency model has been a success. Since 1988 agencies have transformed the landscape of government and the responsiveness and effectiveness of services delivered by Government."

"Some agencies have, however, become disconnected from their departments... The gulf between policy and delivery is considered by most to have widened."

The latter point is usually made more forcibly by Government critics, describing agencies as "unaccountable Quangos".

Source: Wikipedia, the free encyclopedia

5. Translate the passage above into Russian.

Text B

Private and Public Management

By convention, the economy is divided between the private and public sectors. The public sector is defined by one author as ‘engaged in providing services (and in some cases goods) whose scope and variety are determined not by the direct wishes of the consumers, but by the decision of government bodies, that is, in a democracy, by the representatives of the citizens (Hicks1,1958). This definition does not capture the full scope of public sector activity, but it does contain the key point that the public sector is the result of public, political decision-making, rather than involving market processes. Governments are command-based – they can force people to comply – whereas markets are voluntary.

Although the private and public sectors are usually seen as quite separate, the

division of the economy into two mutually exclusive sectors may be artificial (McCraw2, 1986). There is so much interaction between the two that setting up a strict dichotomy is rather misleading. It could be argued that the modern capitalist economy is a ‘thoroughly mixed system in which public and private sector forces interact in an integral fashion’ and the economic system is ‘neither publicnor private, but involves a mix of both sectors’ (Musgrave and Musgrave3, 1989). The private sector relies on government for infrastructure and the system of laws, without which markets could not operate. Government relies on the private sector for the production and supply of goods and services, and for tax revenue. The interaction between sectors is more subtle than simply seeing them as separate and necessarily antagonistic.

The argument for a specialized form of management in the public sector rests on there being sufficient differences from the private sector and its management. At a time in which theories, techniques and working conditions in government clearly derive from the private sector, the question of difference becomes particularly important. There are several reasons why the two sectors are not the same, and cannot be the same.

First, in a way not characteristic of the private sector, public sector decisions may be coercive. Citizens can be forced to comply with decisions, pay taxes, have their property compulsorily acquired, and are subject to sanctions deriving in the end from the coercive powers of the state. Not all public activities are coercive, but those that are need to be carried out more carefully than in the private sector. Private enterprises have more freedom to be arbitrary. They can charge different customers different prices, they can refuse to deal with them, they can ignore normal procedures.

Secondly, the public sector has different forms of accountability from the private sector. While company management is theoretically accountable to shareholders, the public employee is accountable to the political leadership, parliaments, the public, and to various parts of the judicial system. Accountability is also a problem in the private sector. It is, however, likely to be less certain and more uneven in its application in the public sector.

Thirdly, the public service manager must cope with an outside agenda largely set by the political leadership. This is different from an organization where the shared motivation at all levels of the organization is to make money. The presence of political authority ‘is more than simply an influence on public strategic management; it is a defining characteristic’ (Bozeman and Straussman4, 1990). Politicians may require action that detracts from good management practice, can change their minds frequently and require administrative actions to be taken for quite blatant political reasons. Having to follow a political agenda and a sometimes unresponsive or even hostile administration can lead to conflict between the bureaucracy and the politicians. It is the political agenda that makes management in the public sector different. Having a large part of the agenda imposed by politicians reduces the scope of action of a manager.

Fourthly, the public sector has inherent difficulties in measuring output or efficiency in production. It lacks ‘bottom-line’ criteria analogous to profit in the private sector. In government there is rarely agreement on goals or measures of them, nor can it be assumed that everyone in the organization will abide by either. The difficulty of measuring performance in the public sector, whether of individuals, groups or whole organizations, permeates management as a whole. Measurement and evaluation are possible in the public sector, but are more difficult and perhaps less meaningful. The lack of suitable measurement may enable parts of the public service to perform no useful function and to evade scrutiny. This might occur in the private sector too, but is much

less likely.

Finally, the public sector’s sheer size and diversity make any control or coordination difficult. Somehow governments and their advisers try to coordinate the activities of the largest and most complex part of society’s activities. Coordination must be political and is never easy.

Text C

Market Failure as the Basis for Public Policy

Although the sale of goods and services is the basis of a capitalist society, there are some circumstances where markets may not provide all the goods and services that are desired, or may do so in ways which adversely affect the society as a whole. The market mechanism alone cannot perform all economic functions; public policy is needed ‘to guide, correct, and supplement it in certain respects’ (Musgrave and Musgrave, 1989). Market failure as the basis for public policy is one way in which government action can be justified (Walsh, 1995). Theories and models can be developed which state that government action should only occur where markets fail, providing governments would do a better job in those particular circumstances. Some of those goods or services which markets may not provide optimally include: education, law and order, environmental values, national defence, roads and bridges, hospitals and health care, welfare services, public transport and the like. The key kinds of market failure are outlined as follows.

Public Goods

Private goods are enjoyed by whoever paid for them. Once someone pays the asking price, the property becomes theirs by the process of exchange and no one else can use it unless the owner gives permission. Public goods are quite different as they benefit all users whether or not they have paid the price. They are ‘non-excludable’, that is, if provided to one, they are available to all. For example, a lighthouse cannot be reserved for the use of only those ships which pay for the service. There are roads and bridges that benefit a particular community, but for which tolls or some other ways of charging individual users are not feasible or too costly. It is not possible for citizens to decide what level of national defence they individually want and then pay precisely that amount in their taxes. There seems to be no way except for government to provide such public goods, although the dividing line between public and private goods is often rather blurred. There are now fewer undisputed public goods than once was thought to be the case. Some roads or bridges may be directly charged for by means of tolls. There may be other payment methods such as an annual fee for freeway use. Defence remains the classic public good, one which, practically, can only be paid for by taxation of the whole society, not merely by those who value being defended by the armed forces. In Chile, a large proportion of the nation’s defence spending comes from royalties on copper production, but this kind of funding is most unusual.

The literature also points to merit goods. These are services such as education and health care, that are socially desirable, but which markets cannot provide optimally. The market may provide them in a technical sense – they are excludable– but there are benefits to the whole society by some government involvement. An educated workforce is economically desirable as an educated worker is able to perform more complex tasks; government provision or assistance may improve overall educational outcomes for the benefit of society as a whole. But how education is funded is a general problem. If education is regarded as a private good there are equity problems between individuals as well as efficiency ones if those with innate ability are not educated. On the other hand if

parents wish to spend extra money on education, there is no way of preventing this.

Health care is another difficult merit good issue. While the delivery of health services by doctors and hospitals is broadly consistent across developed countries, there are varying mechanism of financing with some countries seeing health care essentially as a private good (US), others as a public good (UK), and others as a mix of both (Canada). Private health insurance markets may not provide adequate cover when individuals assess their risk as being lower than it actually is. As a result, there tends to be chronic under-insurance and eventual demands for government involvement. Most countries have an uneasy mix of private and public provision of these merit goods, without there being any definitive answer as to the most desirable point on the public-private continuum.

Externalities

Market transactions often have effect on the third parties, or on the environment, that only government action can alleviate. For example, it is possible to buy a car and its fuel through the market, but the externality or ‘spill-over’ effects on air quality or vehicle accidents are not captured by the price paid for the items causing the problem. Environmental effects are usually seen as requiring some kind of government action, as there is no market way of coping with these effects. There are market approaches to government action, such as tradable pollution permits, but these still take place firmly within a framework of government regulation.

Natural Monopoly

There are some goods which are characterized by declining marginal cost, that is, when supplied to one customer it becomes cheaper to provide to the next. The installation of water supply or electricity to one household makes the cost to the next household cheaper once the distribution network is in place. It is in utilities with network– telephone, electricity, gas and water – that the problem of natural monopoly is most prevalent. The beneficial effects of competition are not likely to occur when there is a tendency towards a monopoly supplier. The existence of natural monopoly has been used as a rationale for some form of government involvement or even ownership, although there are fewer industries now universally regarded as natural monopolies. More recently, any natural monopoly in telecommunications and electricity supply is seen as only applying to local distribution. In any case, there are examples, particularly in the United States, where such utilities are privately owned but government regulated. In other words, government involvement need not mean direct government provision, and there is now a worldwide trend to privatization of such services but with some form of government regulation attached.

Imperfect Information

There is a case for poor information, or ‘asymmetric information’, being considered an example of market failure. Market theory does assume perfect information for buyers and sellers. Consumer protection or packaging information might be examples where, through government action, information can be provided so that markets function better. Regulations imposed on blatantly unsafe products may be seen as providing information to those unable or unwilling to gather it for themselves.

Other kinds of imperfect information may arise with respect to ‘adverse selection’, where for example, the unhealthy are more likely to be buyers of health insurance and

‘moral hazard’ where information can persistently be ignored in, for example, that the self-assessment of risk by cigarette smokers or motorcycle riders is far less than their actual risk. Both these can cause market failures due to failures of information.

Limitations of Market Failure

The theory of market failure can provide some signposts to government action, but particular aspect may be problematic if used as a complete guide to what governments should or should not do. On the one hand, some market economists disagree with the notion that market failures provide a justification for government action, as they result in too much government. Stigler1 (1975) argues that governmental action for consumer protection is unnecessary and inferior to the ‘doctrine of caveat emptor’– let the buyer beware – and ‘the great engine of competition’. Stigler claims that ‘public regulation weakens the defences the consumer has in the market and often imposes new burdens upon him, without conferring corresponding protections’. But even though competition and ‘buyer beware’ are undoubtedly strong, it is unlikely that the public finds the relatively small cost of consumer protection to be burdensome, when compared to the cost involved in the sale of unsafe children’s toys or clothing, or unlicensed drugs, or of trying to gain any redress through the legal system.

On the other hand, the concept of market failure could be argued to artificially reduce the scope of government action. The theory de-politicizes economic problems by treating them as technicalities when strong political conflicts may be present. It assumes that efficiency is the only value that should guide government intervention. Other important values –equity, equality of opportunity, democratic accountability, freedom – are neglected. Also, the theory does little to explain why the present set of government policies was adopted. Many market failures will exist, but the precise point at which government intervention is justified is unclear. Markets may fail but government actions to alleviate a problem may also fail. The concept of market failure provides some signposts to those things governments may involve themselves in, but it does not establish a complete answer to the ‘allowable’ activities of government.

Text D

Accountability in the Public Sector

The administration or management of the public sector does not exist in a vacuum; the public, the political leadership of government and its public services are closely tied to each other by institutional arrangements and political interaction. Whatever it is called – public administration or public management – the business of government is embedded in politics. There is fundamental requirement in a democratic system for accountability from the administration to the political leadership. Senior managers need to be aware of politics, and knowledgeable about it.

The political basis of the public service is sometimes forgotten. Books on public administration often treat the subject technically and separated from politics; indeed, the traditional model of administration was an attempt to depoliticize the public service. Politicians in power often assume that what they want will be carried out unquestioningly and administratively in a kind of master-servant relationship. Both perpetuate the myth associated with the name of Woodrow Wilson, that policy and politics can be strictly separated from administration; that administration can be purely instrumental. It is not. The way choices are made; the way policies are devised and administered; the way programmes are managed, are all fundamentally political. The political parts of government are established by varying legal and constitutional arrangements and in these some form of accountability will be required.

The system of accountability is what ties the administrative part of government with the political part and ultimately to the public itself. Any government requires a system of accountability, so that it acts in ways that are broadly approved by the community. Accountability is fundamental to any society with pretensions to being democratic. Any acts of the government are supposed to be, in the final analysis, acts of the citizens themselves through their representatives.

The relationship between government and citizen depends on the system of accountability, whereby the governmental organization carries out its function and the citizenry allows it to do so, but on condition that powers are not exceeded and that the agency is accountable. Government is distinguishable from other social institutions by its ability to be coercive; its power is backed ultimately by the police and the armed forces. Historically, citizens did not give up their power lightly and insisted that the political or administrative actions of governments be backed by the force of the citizens themselves. This is done in two ways. First, all governmental actions must be soundly based in law. These laws apply to everyone, not only to the citizens, but also to those in the apparatus of government itself. Secondly, some particular person is accountable for each of the actions of government. A member of the society is presumed to be able to find someone in government to assume responsibility for every action, from the counter staff to the highest level. Without both of these points working reasonably well, government and the bureaucracy may still operate, but the absence of accountability could mean that government and the bureaucracy were omnipotent, omnipresent and potentially corrupt. A system of accountability is an exchange arrangement where both governors and the governed exchange part of their power, and where both parties need the other.

Political accountability means that politicians are able to be called to account by

the ordinary citizenry, mainly through the act of voting. Although the two basic points of accountability are generally followed by developed countries, there are significant differences in how they are approached by different political systems, most particularly between parliamentary and presidential systems.

In a parliamentary, or Westminster system, such as the United Kingdom, the public service is accountable through its hierarchy to the minister who is accountable to the Cabinet, then to Parliament and ultimately to the people. Every act of every public servant is therefore an act of the minister and the people who originally chose the minister through choosing the party that wins government. A minister is in charge of a department and the hierarchical structure ensures normal bureaucratic accountability through the various levels. By this rather tenuous and torturous process, any act of the administration is supposed to be an act of the collective will of the voters.

In a presidential system, notably the United States, there are several key differences from a parliamentary system affecting political accountability. First, the fact of a written constitution means that interpretation of the constitution, and laws made according to it, increases the importance of the judicial branch of government. Secondly, the effective fusion of the executive and the legislative branch, as in the Westminster system, is specifically ruled out in the United States, so that the Congress and the President are not formally linked. In the formal sense, the two branches of government are separate, although, in practice, there are quite strong informal links. Thirdly, the federal system affects the system of political accountability. Under the Constitution, powers are divided between the federal government and state governments, and voters are assumed to be able to exercise their powers of political accountability correctly, that is, be able to tell which level of government is responsible for particular functions.

The political accountability of the public service is, in theory, ensured in the United States, but in rather different ways from the Westminster system. A civil servant is part of the executive branch, so is accountable to the chief executive – the President or Governor – and, as this person is chosen directly by election, political accountability is ensured by a line extending from the public servant to the voter. Bureaucratic accountability should also be through the hierarchical structure to the people, technically via the President, but this is not the end of the story. The blurring of the branches means the bureaucracy is also dependent on the legislature and courts. The agency is responsible to the chief executive as that office is part of the executive branch. However, the governing legislation and funding of the agency is under the control of the legislature, so there is also accountability to the legislature and to elected members of it. The courts have an important role in the accountability system as well. Administrative acts of any kind may be scrutinized to ensure that they conform with the constitution, particularly those parts to do with human rights. Every citizen has the right to take court action against the government. Taking these points together means that the United States bureaucracy is supposedly accountable – separately – to the chief executive, the legislature and the courts. These separate accountabilities are likely to make the task of management more complex than in parliamentary systems.

Political accountability in the traditional model was a complicated and vague system that created more questions than answers. It was a well-known system in which, in theory, ordinary citizens could bring the whole apparatus of government to account when they come to vote. Although the precise details of political accountability may leave much to be desired, there is no essential difference now from the vague system of accountability, or answerability, that existed before. When elections are held a choice

may be made, at least by some voters, based on what they thought of the government over their term. However, for the public service, and by comparison with the private sector sense, this kind of accountability is too sparse, too rare and too ineffective in ensuring performance.

For bureaucratic accountability a more realistic approach is to adopt ‘accountable management’, the idea that, in a way analogous to the private sector, public managers are themselves accountable for their own actions and those of their agencies. They are less able to deny their own responsibility by saying that all actions are politically accountable. A new form of accountability is developing in which relationships between the bureaucracy, clients, the legislature, the media and individuals are carried out directly, rather than always through politicians. Direct accountability of this kind offers advantages over what was in place before. Together with an increased focus on output and its measure, accountability in the new model might turn out to be far better than that of the traditional model of administration.