

A Government that Worked Better and Cost Less?

Evaluating Three Decades of
Reform and Change in UK
Central Government

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Yesterday's Tomorrows Revisited—the Route to Better and Cheaper Public Services

*He was the future once.*¹

1.1 Thirty Years of Public Management Makeovers—Evidence-Based or Evidence-Free?

This book shows that over a thirty-year period of successive reforms, one of the most commented-on government systems in the world (the UK) exhibited a striking increase in running or administration costs in real terms, while levels of complaint and legal challenge also soared. So why should that matter?

It matters because those three decades have witnessed repeated reform efforts, not just in the UK but around the world, to cut the costs of government and make it work better for citizens or users. Back in 1980, in the early days of Margaret Thatcher's government in Britain, one of her most powerful lieutenants of that time (Lord Heseltine) famously declared that, 'the management ethos must run right through our national life—private and public companies, civil service, nationalized industries, local government, the National Health service'.² Indeed, during the 1980s the Thatcher government introduced successive 'managerialist' reform initiatives of a kind that were destined to become familiar in the UK and in many other countries in later decades—attempts to bring greater business efficiency to government by corporatization, performance indicators, new financial frameworks,

¹ How David Cameron (then newly elected leader of the UK Conservative Party) referred to then British Prime Minister Tony Blair in their first official parliamentary confrontation (in Prime Minister's Questions, Hansard, 7 December 2005: Column 861).

² Quoted in Christopher Pollitt, *Managerialism and the Public Services: The Anglo-American Experience* (Oxford: Blackwell, 1990), p. vi.

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outsourcing, performance-related pay, and more emphasis on effective management.³ Of course these changes had their antecedents, both in the twentieth century and earlier. Indeed, in some respects such initiatives harked back to the utilitarian philosopher Jeremy Bentham's early nineteenth-century ideas about how to cut the costs of government and make it more responsive to users, which were partly summed up in Bentham's famous slogan, 'aptitude maximized, expense minimized'.⁴

In the early 1990s Bentham's slogan was memorably (though probably unconsciously) reworked into the title of a well-known report by Al Gore, then vice-president under the Bill Clinton presidency in the United States: *Creating a Government that Works Better and Costs Less*.⁵ Similar documents—albeit seldom with quite such rhetorical zing—became commonplace in many other countries. Indeed, in recent decades the preoccupation with 'reinventing government'⁶ has reached the point where governments almost everywhere have had to develop reform plans to improve and 'modernize' their administration and public services. For some, the drive has been to satisfy demands from international donors or lenders or as part of a set of adjustments to meet accession conditions for the European Union or other international bodies. For others, the drive was to display an image of competence, modernity, and managerial 'grip' to their voters and to give themselves 'bragging rights' in the international community. (And those bragging rights themselves may have translated into marketing opportunities for consultants, who often included the former politicians or public servants who introduced the reforms.)

Those recipes for modernization varied. For instance, anti-corruption measures tended to figure more prominently in the plans of developing and transitional countries than in those of the developed countries. But there were some common and recurring themes. One was the idea that the way to make government work better and cost less was to *manage* it differently, on the grounds that poor management in one form or another was the main obstacle to greater efficacy.⁷ What was seen as the key to better management varied according to the ideology and worldview of would-be modernizers,

³ See for example George W. Jones, 'A Revolution in Whitehall? Changes in British Central Government since 1979', *West European Politics* 12, no. 3 (1989): 238–61; Peter Kemp, 'Next Steps for the British Civil Service', *Governance* 3, no. 2 (1990): 186–96; Joe Painter, 'Compulsory Competitive Tendering in Local Government: The First Round', *Public Administration* 69, no. 2 (1991): 191–210.

⁴ Jeremy Bentham, *Constitutional Code* (Oxford: Clarendon, [1830] 1983), p. 297: 'Indicated in these few words are the leading principles of this Constitution on the subject of remuneration.'

⁵ Al Gore, *From Red Tape to Results: Creating a Government That Works Better and Costs Less*, Report of the National Performance Review (Washington: US Government Printing Office, 1993).

⁶ The title of one of the few bestsellers ever written in the field of public management: David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (Reading, MA: Addison-Wesley, 1992).

⁷ On the 'management factor', see for instance Erik-Hans Klijn, *It's The Management, Stupid! On the Importance of Management in Complex Policy Issues* (The Hague: Lemma, 2008).

and often comprised a rather eclectic set of ideas and practices. But recurring ideas included drawing on what were seen as successful recipes from business, bringing in new kinds of people to do the managing, and structural makeovers of various kinds. Such reforms, it was claimed, would make government more focused or responsive or 'joined-up', including changes in politician–bureaucrat relationships to improve 'accountability' (which often served as a code word for making civil servants take more of the blame for government failures, particularly in the UK and similar Westminster-model bureaucracies). A second recurring theme was a strong belief in the capacity for new types of information technology (IT), if boldly and intelligently applied, to transform costly, outdated, and user-unfriendly bureaucratic processes. A third was a stress on improved presentation and packaging of initiatives and ideas, drawing on modern marketing, new media, and other forms of persuasive expertise based on psychological insights.

Such ideas and the reform efforts associated with them have not lacked for critics and commentators—quite the reverse. A huge international academic industry—interacting and overlapping with the world of consultants, non-governmental organizations, and governments' own reform bureaucracies—has grown up to chronicle, compare, explain, and criticize such developments, particularly the so-called New Public Management movement that rose to prominence in the 1980s.⁸ Things have got to the point where the literature is almost impossible to survey (a search of Google Scholar alone for 'New Public Management' yields over 84,000 hits, and a Google search for the same phrase gives a hundred times more),⁹ and from the sheer volume of writing about such matters, you could be excused for thinking that the last word must surely have been said on this well-worn subject.

But there are at least two reasons for suggesting it has not. One is that the world has changed, as it is apt to do, in a way that shows up gaps and mismatches in the received interpretations and studies. The great financial crash of 2008 and the continuing repercussions of the fiscal stress and crisis that resulted from it across much of the world have put the spotlight sharply on cost containment in many governments, notably but not only in those euro-zone countries that have dramatically hit the debt wall in recent years and have not yet been able to inflate or devalue their debts away.¹⁰ It is one thing for governments to 'talk the talk' about efficiency and cost containment at a

⁸ One of us must take at least part of the blame for introducing this term: see Christopher Hood, 'Public Administration and Public Policy: Intellectual Challenges for the 1990s', *Australian Journal of Public Administration* 50 (1989): pp. 346–58; and by the same author, 'A Public Management for All Seasons', *Public Administration* 69, no. 2 (1991): pp. 3–19.

⁹ Searches made in June 2014.

¹⁰ See for example Christopher Hood, David Heald, and Rozana Himaz (eds), *When the Party's Over: The Politics of Fiscal Squeeze in Perspective*, Proceedings of the British Academy 197 (Oxford: Oxford University Press, 2014).

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time when public revenues are buoyant and it is easy to leverage public borrowing. In those comfortable conditions governments can readily invest more in shiny new public service facilities, and the efficiency agenda is consequently likely to be about 'spending to save' and getting 'more for more', as it was for much of the 2000s.¹¹ But it is quite another thing for governments to find themselves so strapped for cash that they have to aim for cost containment in absolute terms and/or on a scale that make 'good times' efficiency strategies (such as 'protecting the front line' of public services by cutting down on the back-office facilities and other 'management magic') insufficient, unfeasible, unaffordable, or all of the above. So the long-term track record of management, IT, and other changes which claim to be able to deliver 'more for less' merits a closer—and much harder—look than it has received up to now.

Second, and relatedly, much more has been written about the promises and the processes than about the documented results of those reform efforts of the recent past, and the tendency both for governments and the public-management commentariat is to focus on the latest reform ideas, on the rhetoric and ideology of the reformers, and on what is happening right now rather than a careful examination of what happened to previous reform efforts. That tendency to focus on the present and the future is understandable enough, given the obvious financial and political incentives to do so, but it means that past experience tends to get little systematic examination, and we tend to lack clear evidence about the outcomes of previous government makeovers. Did governments really end up 'working better and costing less' over the past thirty years or so, as all those once-important reformers who 'were the future once', so confidently expected and intended?

That bottom-line question has not been very clearly answered by the vast international public management research industry, and as far as cost is concerned it has barely been answered at all. Evaluation of results has mostly been based on the analysis of rhetoric and ideology rather than careful digging into the more prosaic issues of cost. While there is certainly an interest in matters of administrative quality, it tends to get reduced to perception indices and 'expert surveys' rather than careful before-and-after analysis of administrative data, and hence tends to be limited in validity and replicability over time. Forty years ago a senior British civil servant (Desmond Keeling) drily remarked of the reform ideas of the 1960s: 'It was a decade in which management in the public service developed greatly . . . in assertions of realized or potential benefits, but less frequently in their measurement or proof.'¹² Exactly

¹¹ Christopher Hood, 'Reflections on Public Service Reform in a Cold Fiscal Climate', in *Public Services: A New Reform Agenda*, edited by Simon Griffiths, Henry Kippen, and Gerry Stoker (London: Bloomsbury, 2013), Chapter 13, pp. 215–29.

¹² Desmond Keeling, *Management in Government* (London: George Allen and Unwin, 1972), p. 11.

the same comment could be made about most of the later decades as well, despite institutional developments accompanying frequent pious assertions about the importance of evaluation and desirability or necessity of policy to be 'evidence-based'.¹³

There are several good—well, understandable—reasons for that continuing absence of 'measurement or proof'. One is that cross-national datasets of the kind that can be found for tracing items like national income or demography over time are still in their infancy for issues of government operating cost and even for measures of administrative quality, consistency, or fairness that go beyond broad-brush (and often not very meaningful) survey questions about trust or satisfaction with government. So there is still no real alternative to tackling the analysis country by country and, as we shall show later, that tends to be highly labour-intensive in the effort required to standardize the relevant numbers over time. And such difficulties in turn limit the scope for 'quick wins' and 'low-hanging fruit' in this kind of analysis. That may be why so little progress has been made even after three decades in answering some of the basic bottom-line questions about what have been the results of so many managerial reforms in government and whether they really ended up improving government's aptitude and reducing its expense.

Another thing that has worked against such evaluation is that the quality of debate about public management and government reform tends to be surprisingly ideological in practice. At first sight you might expect aspirations to make government and public services 'work better and cost less' to be wholly unexceptionable—after all, who could possibly want the opposite? Policies for making government more effective or efficient should surely be of the type that political scientists call 'valence' issues—that is, the sort of issue over which leaders, candidates, and parties compete for votes on the basis of their perceived competence in delivering generally agreed goals—rather than 'positional' issues where politicians compete for votes over goals that are contested (such as pro-choice or pro-life, teaching of creationism or evolution in schools, higher taxes or lower spending).¹⁴ Indeed, Tony Blair (the subject of our epigraph: he helped to rebrand the British Labour party as 'New Labour' in the 1990s and is the only British Labour leader to date who has led the party to three successive general election victories) presented the public-service delivery problem as precisely that sort of valence issue in a

¹³ See for example David Taylor and Susan Balloch (eds), *The Politics of Evaluation: Participation and Policy Implementation* (Bristol: Policy Press, 2005), pp. 3–5.

¹⁴ See for example, Donald Stokes, 'Spatial Models of Party Competition', *American Political Science Review* 57, no. 2 (1963): pp. 368–77; David Butler and Donald Stokes, *Political Change in Britain* (London: Macmillan, 1969); Jane Green, 'When Voters and Parties Agree: Valence Issues and Party Competition', *Political Studies* 55 (2007): pp. 629–55.

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famous and beguiling slogan ‘what matters is what works [to give effect to our values]’.¹⁵ Many other politicians and reform leaders have more or less explicitly advanced a similar claim that the public-management problem can be depoliticized and turned into a matter of common sense or well-understood paths to effective ‘modernization’—itself a term whose meaning is often misleadingly presented as self-evident and unexceptionable.

But in practice public service reform tends to be surprisingly hotly contested, for several reasons. One is that such changes so often turn on the visceral issues that divide powerful cultural worldviews—for example about the virtue or otherwise of markets and competition in social life, about the supposed collective wisdom of groups and bottom-up participation, about the proper authority to be given to experts or bosses. Because humans tend to have very strong and contradictory priors (beliefs or assumptions) on such matters, arguments about organization that link to favoured worldviews often tend to be advanced in an evidence-free fashion and are relatively impervious to contrary evidence.¹⁶ Related to that, visceral issues of identity may cut across debates that at first sight might be expected to focus on humdrum questions about what is the most practical and cost-effective way to collect the garbage or run the schools, as they typically do in societies strongly divided by race, ethnicity, religion, or language. And yet another reason for the ideological character of such policies—their apparent imperviousness to evidence—is what Thomas Ferguson calls the ‘investment theory of politics’.¹⁷ The theory posits that the choice of policies, in public management as in any other domain, can be driven as much by what influential backers and funders of parties and politicians want as by the wants of the median voter (voters who are situated in the middle of preference orderings or income distributions), the focus of so many standard models of party competition in political science since the 1960s.¹⁸

But explanation of a state of affairs is not the same as justification. And the fact that debates about public management reform have often been relatively evidence-free, evidence-light, or at least based on highly selective evidence, even on the very valence issues that reform advocates have typically stressed, makes it all the more important to pin down what can be said about when

¹⁵ Tony Blair, *The Third Way: New Politics for the New Century* (London: Fabian Society, 1998), p. 4; see also Tony Blair, ‘New Politics for the New Century’, *The Independent*, 21 September 1998.

¹⁶ Christopher Hood, *The Art of the State* (Oxford: Clarendon, 1998).

¹⁷ Thomas Ferguson, *Golden Rule: The Investment Theory of Party Competition and the Logic of Money-Driven Political Systems* (Chicago: University of Chicago Press, 1994); David Craig and Richard Brooks, *Plundering the Public Sector: How New Labour are Letting Consultants Run off with £70 Billion of Our Money* (London: Constable, 2006).

¹⁸ Donald Black, ‘On the Rationale of Group Decision-making’, *Journal of Political Economy* 56 (1948): pp. 23–34; Anthony Downs, ‘An Economic Theory of Political Action in a Democracy’, *Journal of Political Economy* 65 (1957): pp. 135–50.

and whether the last three decades of government reforms have really produced a system that ‘works better and costs less’. And that is what this book aims to do, for the critical case of the United Kingdom.

1.2 Potential Discontinuities in the Operation of Government over Three Decades: Managerialism, Digitization, Spin-Doctoring

Chapter 2 lays out what happened to some of the major features of UK central government over the three decades or so we are exploring here—for example in features such as the size of the cabinet, the number of government departments and ‘quangos’, the size and shape of the civil service, and the overall pattern of public spending. The aim of that broad-brush description is to put the changes of the last few decades into context. But, as we have already suggested, some bold claims have been made about changes over that period that are said to have had a big impact on what executive government cost and how it worked. Three common claims of that sort relate to the effects of managerial makeovers, to the effects of the digital revolution in government, and to the rise of spin-doctoring and related techniques of communication and information architecture.

1.2.1 *Better Government Through Management Makeovers*

The idea that government could be improved through better management is probably as old as government itself, and there are plenty of historical recipes for better public management. Over forty years ago Andrew Dunsire and Richard Chapman¹⁹ remarked that there had always been two strains of thinking about the civil service in Britain, the Macaulayite strain and the Benthamite strain. The Macaulayite strain, deriving from those nineteenth-century writers and politicians who admired the Chinese Confucian tradition of government by a meritocracy of scholar-administrators, stressed the role of civil servants as policy advisers, intellectuals, philosophers, and guardians of constitutional convention. The Benthamite strain, deriving from Jeremy Bentham’s distillation of a set of supposedly rational principles of public management some two hundred years ago, as mentioned at the outset, put more stress on the importance of management and service-delivery expertise to maximize ‘aptitude’ and minimize ‘expense’.²⁰

¹⁹ Richard Chapman and Andrew Dunsire (eds), *Style in Administration* (London: Allen and Unwin, 1971), p. 17.

²⁰ Leslie J. Hume, *Bentham on Bureaucracy* (Cambridge: Cambridge University Press, 1981).

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During the two world wars of the twentieth century, the Benthamite or 'management' view was necessarily accorded a key role in UK central government, with many people brought in from business firms to organize production and service supply functions, from the production of munitions to the supply and distribution of basic goods and services like milk and timber. But after each of those wars, the civil service tended to revert to a more 'Macaulayite' position as the wartime command economy was turned back into a market or mixed economy. After the First World War there were criticisms of management ineptitude in UK central government in the 1920s from a business perspective, for example by Sir Stephen (Stephanos) Demetriadi (a businessman and civil servant who had been Director of Naval and Military Pensions during the First World War),²¹ and numerous articles on the subject of management and efficiency in the then newly established journal *Public Administration*.²² But there was no real equivalent to the stress laid on the potential for management in federal government in the United States by the famous Brownlow Committee of 1937, which presented management as a vital ingredient to the achievement of 'social justice, security, order, liberty, prosperity, in material benefit and in higher values of life'.²³ Perhaps the leading UK textbook on British central government in the 1950s, Mackenzie and Grove's *Central Administration in Britain*,²⁴ had much of value to say about the recurrent rhetoric of reform and restructuring and of some of the folkways of Whitehall, but little or nothing about issues of operating costs or performance in service delivery.

However, a renewed stress on management in UK government started to emerge in the 1960s and 1970s. Desmond Keeling detected early manifestations in a 1957 Treasury circular by Sir Norman Brook (then head of the British civil service) which urged the higher ranks of the civil service (the 'administrative class', as that group was then called) to pay more attention to 'management matters', and to the stress on improving management of the public services which came from a major committee on the control of Public Expenditure (the Plowden Committee), which was appointed in 1959 and reported in 1961. But, as Keeling shows, 'management' at that time came to be conceived narrowly as the conduct of personnel and pay matters in the

²¹ Sir Stephen Demetriadi, *A Reform for the Civil Service* (London: Cassell, 1921).

²² See Christopher Hood, 'British Public Administration: Dodo, Phoenix or Chameleon?', in *The British Study of Politics in the Twentieth Century*, edited by Jack Hayward, Brian Barry, and Archie Brown (Oxford: Oxford University Press for the British Academy, 1999), pp. 309–10.

²³ Brownlow Committee on Administrative Management, *Report of the Committee, with Studies of Administrative Management in the Federal Government* (Washington, DC: Government Printing Office, 1937).

²⁴ William J.M. Mackenzie and Jack W. Grove, *Central Administration in Britain* (London: Longmans, 1957).

public service rather than the broader sense intended by Sir Norman Brook and the Plowden Committee.²⁵

That broader view of management as the key to better government started to develop in local government in the 1960s and 1970s,²⁶ but only emerged in full-blown form at central government level in the 1980s, reaching a point that led Christopher Pollitt to characterize it as a dominant ideology of the public services in the UK and the USA at that time.²⁷ This era culminated with a senior civil servant (Sir Peter Kemp) directing a programme of 'agencification' in the civil service in the late 1980s and early 1990s, who refused even to use the word 'administration' rather than 'management' for any part of the conduct of executive government. Such individuals clearly had very high expectations of what a new managerial approach to make a big difference to how government operated. Three decades later, what can we say about the observable results?

1.2.2 *Salvation Through Information Technology*

Fifteen years or so ago, Helen Margetts observed,

Information technology has been heralded as a new fairy godmother for government. Politicians in the 1990s compete to associate themselves with the magical effects of her wand, which they claim will wave in the new age of government and an end to the ills of administration . . . Politicians' speeches [in the USA and UK at this time] were peppered with the words 'new,' 'modern,' and dazzling images of the twenty-first century.²⁸

Margetts pointed out that such soaring rhetoric, implying that the IT revolution would transform bureaucracy in politically desired directions (making government more flexible, more intelligent, more accountable, and providing new standards of customer service), picked up on portentous claims from management gurus and futurologists in an earlier era, such as Daniel Bell and Alvin Toffler, about the power of new technologies to radically reshape society and organizations.²⁹

The US 1993 National Performance Review, mentioned earlier, is a clear example of what Margetts was referring to. US Vice-President Al Gore's

²⁵ Desmond Keeling, *Management in Government* (London: George Allen and Unwin, 1972), pp. 18–20.

²⁶ See for example Jeffrey Stanyer, *Understanding Local Government* (Glasgow: Fontana/Collins, 1976), pp. 234–63.

²⁷ Christopher Pollitt, *Managerialism and the Public Services: The Anglo-American Experience* (Oxford: Blackwell, 1990), p. vi.

²⁸ Helen Z. Margetts, *Information Technology in Government: Britain and America* (London: Routledge, 1999), pp. xiii–xiv.

²⁹ Margetts, *Information Technology*, pp. xiv–xv.

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preface to that document declared with utter confidence, 'As everyone knows, the computer revolution allows us to do things faster and more cheaply than we ever have before . . . ' and referred to an impressive number of billions of dollars' worth of projected savings arising from new IT in the federal government.³⁰ Later in the review document it was said that 'opportunities abound for cutting operating costs by using telecommunications technologies', but also claimed that far more than just cost-cutting could be achieved. The report envisaged far better service to users and citizens through digital technologies than through old-fashioned paper-based bureaucracy, with all its accompanying frustrations: 'With computers and telecommunications . . . we can design a customer-driven electronic government that operates in ways that, 10 years ago, the most visionary planner could not have imagined.'³¹

Nor was it just such purple passages from politicians that conveyed expectations and beliefs about the power of IT developments to cut costs and improve customer service in government. For example, in the mid-1980s, the UK department then responsible for collecting direct taxes (the Inland Revenue, which merged with the Customs and Excise Department twenty years later) introduced a long-awaited new computer system for the PAYE (Pay as You Earn) withholding system,³² which it described as 'a massive project that will bring large savings in our administrative costs' and added that it would enable a move from a manual system that 'both our staff and "customers" have increasingly come to regard as antiquated, to one more in keeping with modern business methods . . . '³³ Fifteen years or so later, a controversial new mega-contract for outsourcing the department's entire IT operations to the data-processing firm EDS (Electronic Data Systems) was announced, with the claim that 'Information technology unit cost reductions of 15–20 per cent are anticipated over the [ten year] life span of the contract',³⁴ which in money terms was expected to lead to savings of hundreds of millions of pounds.³⁵ Again, decades later, what can be said about the outcome of such developments, from which so much was claimed and expected?

³⁰ Gore, *From Red Tape to Results*, p. iv.

³¹ Gore, pp. 114 and 112, respectively.

³² That system, originally introduced during the Second World War, involves employers deducting income tax according to a code issued by the tax department, before paying employees' wages or salaries, and then paying the money to government, usually with a small delay that enables employers to earn a 'turn' on the money in return for their costs.

³³ *Report of the Commissioners of Her Majesty's Inland Revenue for the year ended 31st December 1983* (Cmnd 9305, 1984), p. 1.

³⁴ *Report of the Commissioners of Her Majesty's Inland Revenue for the year ending 31st March 1997* (Cm 3771, 1998), p. 28.

³⁵ *Report of the Commissioners of Her Majesty's Inland Revenue for the year ending 31st March 1999* (Cm 4477, 1999), p. 31.

1.2.3 On Message: Controlling the Story

At the 1993 launch of the ‘... *Works Better and Costs Less*’ report mentioned above, it is reported that, after making his opening speech, Vice-President Al Gore turned the meeting over to a motivational consultant (John Daly) who stressed that optimism and effective communication were key to the success of the programme, declared that ‘it doesn’t matter how good you really are but *how you communicate how good you are*’ [our emphasis], proceeded to discuss customer strategies used by the Disney company, and indeed concluded in that spirit by leading the assembled company in the ‘off to work we go’ song from *Snow White and Seven Dwarfs*.³⁶ And that introduces another element of change affecting government over the last thirty years or so, namely claims about how much can be achieved by new presentational techniques, improved ‘framing’ and tighter control of corporate ‘messages’.

The word ‘spin doctor’ is said to have been coined in the 1970s by the Canadian-American novelist Saul Bellow,³⁷ although of course the phenomenon of ‘message control’ goes back long before that. For example, propaganda (both of the overt variety and the ‘black’ or disavowable kind) was a major activity of UK central government in both of the twentieth-century world wars. Indeed, the UK is said to have had a rather larger information and propaganda ministry during the Second World War than did Nazi Germany,³⁸ but again it was reined back after that war to a more modest and relatively neutral role.

However, powerful claims came to be made from the late 1950s about the new power of advertising, based on improved understanding of human psychology and linked with increased ability of pollsters to gauge public moods and sensitivities.³⁹ That percolated into party politics, with the rise of private polling and associated message control, as parties developed methods of fine-grained polling to target and craft policies for key swing voters,⁴⁰ and started to shape the conduct of executive government as well, as presentation, media control, and branding received more emphasis and their practitioners acquired more authority. By the 1990s, ‘spin’ became a central theme

³⁶ Ronald C. Moe, ‘The “Reinventing Government” Exercise: Misinterpreting the Problem, Misjudging the Consequences’, *Public Administration Review* 54, no. 2 (1994): p. 111.

³⁷ Frank Esser, ‘Spin Doctor’ in *The International Encyclopedia of Communication*, edited by Wolfgang Donsbach (London: Wiley Blackwell, 2008), pp. 4783–7, says ‘[Saul Bellow] spoke in his 1977 Jefferson Lecture about political actors “capturing the presidency itself with the aid of spin doctors”’.

³⁸ Sir Bernard Ingham, *The Wages of Spin* (London: John Murray, 2003), p. 40.

³⁹ See for example Vance O. Packard and Mark C. Miller, *The Hidden Persuaders* (New York: Pocket Books, 1957) and James A.C. Brown, *Techniques of Persuasion: From Propaganda to Brainwashing* (Harmondsworth: Penguin Books, 1963).

⁴⁰ See for example Stephen Mills, *The New Machine Men: Polls and Persuasion in Australian Politics* (Ringwood, VIC: Penguin, 1986).

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of political commentary in both the USA and the UK,⁴¹ with the idea that new and more powerful methods were being applied to present government leaders and policies in a favourable light, countering ‘negativity bias’ in the media by a variety of techniques, such as taking advantage of diversions or depriving the most critical journalists of attractive stories.

For example, one of us encountered minatory wall posters in one major UK department in the early 2000s warning its civil servants that ‘there are 152 political journalists noting your every word’.⁴² A year or two after that, in the mid-2000s, the UK’s Department of Health went further in its efforts at message control, commissioning consultants to construct a database of print and broadcast journalists writing about the department, coding every story about the department by every journalist according to the degree of positivity or otherwise it showed towards the department’s operations and policies.⁴³ In the later 2000s major claims were made about the ability of governments and corporations to shape the behaviour of citizens and customers by using insights drawn from marketing and psychology, for example by the way default options were set, such that big changes in behaviour by citizens (such as tax compliance) could be engineered by low-cost changes in information system architecture.⁴⁴ If such developments were as transformational as some have claimed, we might expect these changes to have had a noticeable impact on government’s ability to deliver effective policy at lower cost over several decades.

1.3 The ‘Works Better and Costs Less’ Test: Nine Possible Outcomes

These three changes in government—in the stress laid on a new generation of managerialism, on the development of modern IT and the stress on modern techniques of controlling the story, framing the debate, and shaping citizens’ choices—developed simultaneously over recent decades, and are therefore not easy to separate. For example, IT system development has been closely interrelated with approaches to management systems and with broader

⁴¹ See for example, Howard Kurtz, *Spin Cycle: Inside the Clinton Propaganda Machine* (New York: Free Press, 1998).

⁴² See Christopher Hood and Martin Lodge, *The Politics of Public Service Bargains: Reward, Competency, Loyalty—and Blame* (Oxford: Oxford University Press, 2006), p. viii.

⁴³ *National Media Coverage of Public Health Issues and the NHS*, December 2004–November 2006. <http://webarchive.nationalarchives.gov.uk/+/www.dh.gov.uk/en/FreedomOfInformation/Freedomofinformationpublicationschemefeedback/Classesofinformation/Communications_research/DH_4130120>.

⁴⁴ Richard H. Thaler and Cass R. Sunstein, *Nudge: Improving Decisions about Health, Wealth, and Happiness* (New Haven: Yale University Press, 2008); Cass R. Sunstein, *Simpler: The Future of Government* (New York: Simon & Schuster, 2013).

presentational strategies. But if there is any truth in the claims put forward about the quantum impact that might be expected from such changes on the cost and performance of government, we might expect to find clear step changes in what government cost to run and how it worked over the past few decades.

If the aspirations of the modernizers, managers, and other reformers was indeed to produce a government that worked better and cost less, the range of possible results after a generation of reform are laid out in Table 1.1, which presents the nine possible permutations of better, worse, and no change outcomes on the two dimensions of cost and performance.

Those who expect the three developments discussed above to have introduced quantum change or major discontinuities in the factors that shape the relationship between cost and outcomes in government might expect to find the outcomes at the outer ends of the northwest–southeast diagonal of Table 1.1. Optimists within this ‘discontinuity’ school might expect to find the overall result shown in cell 1 of Table 1.1—the ‘dream’ outcome in which government did indeed work better and cost less, ‘doing better with less’ as a result of smarter management, better technology, or methods of marketing or presentation that elicited readier compliance or promoted a more favourable image of government. But ‘discontinuity pessimists’ would expect to find precisely the opposite, as shown in cell 9—the ‘nightmare’ outcome in which government ends up with higher costs and lower levels of performance, ‘doing worse with more’ as a result of dysfunctional management, failing technology, and self-defeating spinmanship.

Those who take neither a utopian nor a dystopian view of the management and technological developments we discussed earlier, and who believe that in government, as in many other things in life, you tend to get what you pay for, would expect to find the results on the other, northeast to southwest,

Table 1.1. How Government Works and What It Costs: Nine Possible Outcomes

	Cost level →		
Quality level ↑	1	2	3
	Worked better, cost less <i>Did better with less</i> ('Dream' outcome)	Worked better, cost the same <i>Did better with the same</i>	Worked better, cost more <i>Did better with more</i>
	4	5	6
	Worked the same, cost less <i>Did the same with less</i>	Worked the same, cost the same <i>No change</i>	Worked the same, cost more <i>Did the same with more</i>
	7	8	9
	Worked worse, cost less <i>Did worse with less</i>	Worked worse, cost the same <i>Did worse with the same</i>	Worked worse, cost more <i>Did worse with more</i> ('Nightmare' outcome)

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diagonal of Table 1.1. If you want Scandinavian levels of public service performance, this view would go, you must expect to pay the Scandinavian price for it in your tax bill. If you follow this sort of approach, said by some to be associated with less individualist cultures,⁴⁵ you would expect to find either the positive result shown in cell 3, where improved performance goes along with rising costs—doing better with more—or the result shown in cell 7, where lower costs are paid for in lower levels of performance and government ends up doing ‘worse with less’.

But again, there are some who might believe that what happens in society and policy, outside the machinery of government and the deliberate actions of those who manage that machinery, is likely to have the biggest impact on the relationship between what government costs and how well it does its job. From this viewpoint—that changing social context can be more important than whizzy management or other internal factors in determining government cost and performance—there would be no compelling reason to expect the relationship between cost and performance to be confined to the four corners of Table 1.1, and good reasons to expect that many kinds of change would produce the relationship between cost and quality that is described by the diamond between the mid-points of each side of the square. For example, if society changes in such a way that government and public services must operate in a larger number of languages than before (as has happened with successive enlargements of the European Union, or in cities receiving immigrants from multiple language groups), then the extra need for translation and interpretation could be expected to increase government’s administration costs without any necessary changes in the general level of public performance. Contrariwise, if politicians decide to move from a complex tax code, with many levels, categories exemptions, and abatements, to a flat-tax regime, as has happened in some Eastern European countries, the surveillance and inspection costs of the tax authorities could be expected to fall without any necessary change in the performance of tax administration.

Finally, fatalists and sceptics who do not subscribe to the ‘get what you pay for’ view of government; do not see management, technology, or marketing and presentation as either good or bad magic; and might not expect contextual changes to relate to what happens inside government in any coherent way either, will not be surprised if the observed result is that represented by cell 5 in Table 1.1. From this perspective, in spite (or maybe because) of all the hot air and purple prose accompanying a generation of reform initiatives,

⁴⁵ See for example, Ashok K. Lalwani and Sharon Shavitt, ‘You Get What You Pay For? Self-Construal Influences Price-Quality Judgments’, *Journal of Consumer Research* 40, no. 2 (2013): pp. 255–67.

government might well be expected to end up costing much the same and performing at much the same level, for better or worse.

1.4 New Public Management Poster Child—the UK Case

Any study of what government cost and of changes in the perceived fairness and consistency of administration has to balance breadth against depth, weighing the advantage of the big comparative sweep as against that of a narrower but deeper trench. There are pros and cons of both approaches. But this book mostly goes for the ‘deep trench’ approach and concentrates on the UK, one of the ‘poster children’ of the New Public Management.

In fact, it could almost be argued that the UK was not just a ‘poster child’ but the ‘vanguard state,’ of the New Public Management movement, given that (as was mentioned at the outset) the more business-oriented approach associated with the Thatcher government’s famous drive to cut ‘bloated bureaucracy’ in the 1980s preceded several other parallel moves elsewhere in the world (for instance by US President Ronald Reagan, Canadian Premier Brian Mulroney, and the New Zealand Labour government led by David Lange and Roger Douglas in the 1980s). UK reformers often boasted about their influence on reform drives elsewhere in the world, many reformers in other countries in turn acknowledged a debt to the UK’s influence on their efforts, and the UK has often been said to have been one of the world’s most prolific producers of government reform plans and efficiency makeovers over the past three decades.⁴⁶ But what exactly has been the result of all those much-publicized efficiency drives and that portentous reform rhetoric?

The UK’s new managerialism movement presented itself as a hard-headed, business-minded, cost-conscious, and data-driven approach to government makeover. So it deserves a correspondingly hard-headed, business-minded, cost-conscious, and data-driven assessment of its results, confronting received claims or interpretations with systematic quantitative evidence from the past three decades. That is what this book tries to provide. As will be seen in later chapters, the analysis is not based on a quick survey or a *jeu d’esprit*, but rather has been developed out of three years of detective work involving careful combing through decades of documentary data, backed up with material drawn from interviews with a range of current and retired players and observers in the government-reform process about issues of cost and quality in government and public services.⁴⁷

⁴⁶ See for example, Christopher Pollitt, ‘The Evolving Narratives of Public Management Reform: 40 Years of Reform White Papers in the UK’, *Public Management Review* 15, no. 6 (2013): pp. 899–922.

⁴⁷ The roles of individual interviewees are shown in anonymized form in Appendix 1 at the end of this book.

1.5 Plan of the Rest of the Book

Of course some of the expectations that we sketched out in Section 1.3 are easier to test than others. But this book looks carefully for evidence of how the costs of running government changed over a period of three decades in the UK, what happened to indicators of perceived fairness and consistency in government administration, and what seems to have been the relationship between the two (to test 'get what you pay for' relative to 'discontinuity' views).

Before we get to that, we have two scene-setting chapters. Chapter 2 follows on from this one by sketching out some of the broad changes that took place in UK central government over the thirty years we are putting under the spotlight here. We explore what changed and what remained relatively constant under four broad headings, namely, the basic legislative, electoral, and constitutional features of the UK as a state; the place of the bureaucracy in the political system; the place of government in the economy and wider society; and the technology of government. Under most of those headings, there were continuities as well as changes, and it is necessary to identify both to get a balanced picture of the background to efforts to cut cost and improve administrative quality.

Chapter 3 then turns to the data that documents government performance over time, showing that, despite government's protestations about the desirability of evidence-based policy and management, the continued destruction of consistent data-series over time often makes it impossible or at least very laborious for anyone to possess evidence about whether government is doing better or worse over a period of more than a few years. We examine why that should be so, what sort of factors seem to be behind this evidence-destroying data 'churn', and what its consequences are.

Now, as we also argue in Chapter 3, the study of data breaks and data volatility is valuable in itself for the light it can throw on changing priorities, preoccupations, and ways of working over a generation. One of us was once told (perhaps with some exaggeration) by a senior Australian public servant that the whole history of the public service could be told by exploring changing arrangements for pay and reward over time. And in similar vein it can be argued that tracking changes in the way performance numbers are recorded is a key to understanding changes in values, culture, and practice in the bureaucracy over time. Chapter 3 goes into some of those issues, looking at the causes of data changes and the relative incidence of different kinds of change. But as well as being a window into such bureaucratic changes, data changes also present a challenge for the sort of long-term analysis of government performance that this book aims to provide. How can we reach any firm conclusions about such performance if the evidence keeps changing?

We deal with that challenge in two main ways, as will be shown in later chapters. One is to ‘call back yesterday’, that is, to adjust runs of performance numbers after a data break into the previous format wherever we can. That sort of adjustment is possible when there is an overlap in reporting the relevant data at the change-over point, but not in those cases (far from infrequent) where there is no such overlap. The other is to practise ‘redundancy’ in data analysis, placing heavy reliance on a form of what was been called ‘consilience’ in the collection and assessment of evidence. Consilience means putting evidence together from more than one source, no one of which is perfect on its own, but which, if combined, provide more powerful evidence than any one element would do on its own if those various sources point in the same direction.⁴⁸ The term itself dates from the nineteenth century,⁴⁹ the method has been and continues to be applied in many branches of science, and in the following chapters we use this method wherever we can to add to the robustness of our conclusions about changes in performance.

Accordingly, putting together the available fragments of data in the same sort of way as an archaeologist or forensic scientist might reassemble broken pottery shards or put together scraps of other evidence, we start by examining what happened to indicators of administration cost in central government (ostensibly the central target of many of the management reformers, as we have seen). Chapters 4 and 5 look respectively at what happened to reported running costs in UK civil departments as a whole and in the tax-collecting departments (arguably a set of organizations where one might expect the promise of more focused management allied with changes in technology to have a particularly strong impact). We show that in both cases administration costs—so far as they can be reliably tracked—rose substantially in real terms over the period. There certainly were times when those costs fell relative to total spending or total tax revenue collected, if that is how ‘costs less’ should properly be construed—but this past performance provides only very limited inspiration for current and recent plans to cut administration costs drastically in absolute terms.

Chapter 6 turns from what government cost to administrative performance in the sense of indicators of perceived unfairness or inconsistency or sloppy administration on the part of citizens or users. Of course, ‘performance’, like ‘modernization’, is a term that different people interpret in different ways, dependent on their outlook or worldview. Some people believe government

⁴⁸ Christopher Hood and Ruth Dixon, ‘The Political Payoff from Performance Target Systems: No-Brainer or No-Gainer?’, *Journal of Public Administration Research and Theory* 20, Suppl. 2 (2010): pp. i281–98.

⁴⁹ William Whewell, *The Philosophy of the Inductive Sciences: Founded upon their History* (Whitefish, MT: Kissinger, [1847] 2007).

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should be extensively engaged in social engineering and management in everything from diet, exercise, and obesity to thought and language policing, while others take a much more minimal view of the proper role of the state. But irrespective of whether you take a maximalist or minimalist view of government as a manager of society and the economy, whatever government does do can be expected to be conducted fairly and consistently, carefully applying rules to put cases into categories reliably and treat like cases alike—and indeed some of the critics of ‘new managerialism’ argued that it is precisely those rather traditional administrative virtues that tend to suffer under the pressure of cost control and greater managerial freedom. Accordingly, we put the emphasis here on the changing incidence of formal complaints and legal challenges to government decisions, which have the advantage both of being a relatively technology-free way of assessing administrative performance over a period in which technology changed so markedly and also of getting precisely at those issues of perceived consistency and fairness of government operations. Our analysis suggests a mixed picture, but one that is hard to reconcile with the ‘working better’ aspirations and expectations of those reformers of two decades or more ago.

In Chapter 7, we widen our focus to explore how far the cost and performance of the UK central government machine can be compared with those of other countries, with local government (often said to embody very different approaches and cultures), with those delivery (‘executive’) agencies placed at arms-length from central departments to allow greater scope for focused management, and with the Scottish group of departments and agencies headquartered in Edinburgh (or other Scottish cities), which arguably share few of the characteristics of central government at UK level. So far as such comparisons are possible, we find little evidence of a marked difference in performance between UK central government and these comparators, which raises puzzling questions about what exactly was the dividend reaped by extra focus on management in executive agencies from the early 1990s or by the emphasis on developing large-scale new tax IT systems at central government level as against the more pluralist and variable approach taken in local government.

We then (in Chapter 8) turn from cost and perceptions of administrative fairness or consistency to the way the process of government worked over the period—a feature stressed by numerous commentators, especially those critical of change. We focus in particular on the process of drafting and managing legislation, the keeping of accounts and records, and the degree of turnover in institutions and people (politicians and bureaucrats of various types). Again, the picture that this analysis suggests is nuanced, but is more consistent with government working worse or about the same, rather than working better over this period.

Finally, Chapter 9 then returns to the broader issue of what overall conclusions can be drawn from this analysis of cost and performance in UK central government over three decades. It goes back to the nine possible outcomes that we laid out in Table 1.1 above and shows that the outcomes that most plausibly fit our analysis fit within a range between government costing about the same (but not less) and working about as well (but not better), to a darker picture of government costing substantially more and working decidedly worse. That suggests that the battle for better management in government has by no means been won, in this particular case at least, and the book concludes by exploring the implications of our findings for widely held ideas about public management, the puzzling or intriguing questions they present for further analysis, and their policy implications for a period in which pressures to make government ‘work better and cost less’ are unlikely to go away.