ASIAN REVIEW OF PUBLIC ADMINISTRATION

PAN SUK KIM, *Editor-in-Chief*
ROGER WETTENHALL, *Associate Editor*
MASAO KIKUCHI, *Managing Editor*

We acknowledge the assistance of Mercedita M. Miranda, Jose Angelito M. Aurelio and Ma. Cristina N. Aguinaldo in the preparation of this ARPA issue.

ASIAN REVIEW OF PUBLIC ADMINISTRATION is published biannually by the Eastern Regional Organization for Public Administration (EROPA) with headquarters at the National College of Public Administration and Governance, University of the Philippines, Diliman, Quezon City 1101, Philippines.

Subscription: foreign, US$15.00; domestic, ₱300.00
Single copy: foreign, US$8.00; domestic, ₱175.00

ASIAN REVIEW OF PUBLIC ADMINISTRATION

Volume 21, Numbers 1-2 January-December 2009

ARTICLES

Editorial Introduction: A "New Look" *ARPA*

PAN SUK KIM, Editor-in-Chief
and
ROGER WETTENHALL, Associate Editor

We welcome this opportunity to introduce readers to the "new look" *Asian Review of Public Administration (ARPA)*, the flagship journal of the Eastern Regional Organization for Public Administration (EROPA).

At EROPA's 22nd General Assembly and Conference in Seoul, South Korea in October 2009, the Executive Council took a number of important decisions that affected *ARPA*. The Editorial Board was reconstituted and a new editorial team appointed. It was determined that *ARPA* would henceforward be a fully blind peer-reviewed journal seeking to establish its place firmly in the group of major public administration and public management journals around the world.

EROPA as Parent

We begin by acknowledging the parent organization. The full EROPA history is yet to be written, but a brief indication can be given here. It was established in 1960 after a number of conferences and meetings of public administrators in 1958 and 1959 had demonstrated a common desire among countries in South and Southeast Asia and the "Far East" to promote regional cooperation in the improving of knowledge, systems, and practices of government administration.

As was written nearly three decades later, EROPA had come on the world public administration scene

> in an era characterised by much optimism towards regional cooperation, a period of vision inspired by a common desire to collectively deal with the problems of transition that ha(d) been brought by the legacy of colonialism. In 1960, when EROPA was organized, the Asia-Pacific region was a vast landscape of rich, cultural diversities, confronted with uneven images of itself and faced with the challenge of finding its own identity and place in the international community. The EROPA came as a response to a common goal to establish interdependencies among the countries of the regional community and thereby help improve and accelerate economic and social development in the region (Asian Review of Public Administration 1989).

It was constructed as an association of state members, group members (institutions involved in the study or practice of public administration within the region), and individual members (persons whose professional activities would serve to promote the interests of the association). As provided for in the EROPA constitution, the main organs are the General Assembly that includes all members, and the Executive Council that includes all state members, together with four representatives of the group members and three of the individual members elected at the preceding General Assembly.

Over the years the state members have included Australia, China, India, Indonesia, Iran, Japan, Nepal, Pakistan, South Korea, Malaysia, the Philippines, Thailand, and Vietnam. The number has fluctuated somewhat since the beginning, with new state members joining the five foundation members[1] and a couple of the originals withdrawing—though institutions and individuals in these countries (and others) remain active members. Typical group members have been Civil Service Commissions or Public Service Boards and sections of central ministries with responsibility for overseeing civil service management functions.

Administration is provided by a Secretary-General and Secretariat based in Manila, and there has always been strong support from the Philippine Civil Service Commission and the National College of Public Administration and Governance in the University of the Philippines. Also, formally accredited training and documentation centers have been established in group-member agencies in Tokyo, Seoul, New Delhi, and, until the political reorganization in Vietnam in the 1970s, Saigon (now Ho Chi Minh City).

EROPA's annual meetings have been held in centres around the region, ranging from Tehran, Iran, to Apia, Samoa, with the General Assembly convening every second year. Between these major conferences, it has conducted regional conferences, seminars, and working party sessions and training programs. Prominent examples of such activities are a program for foreign-service officers from countries of the region and three-month courses for local government officers held at EROPA's Japanese center, the Local Autonomy College in Tokyo. Over the years, some of these programs have been co-sponsored by development aid bodies such as the German Foundation for International Development and the Japanese International Cooperation Agency.

EROPA has been accredited by the United Nations Public Administration Network (UNPAN) as one of its on-line regional centers. Accordingly, it is expected to keep an updated database of public administration developments in the Asia-Pacific region.

EROPA's Publishing Program

Also over the years and most relevant here, EROPA has had a significant publication program that has included commissioned studies on subjects such as *Administrative Reforms in Asia* (Lee & Samonte 1970) and *Implementation: The Problem of Achieving Results* (Iglesias 1976) and volumes of selected and edited conference papers (e.g., Noranitipadungkarn 1979; De Guzman et al 1989; Zhijian et al 1992; Ja'fari et al 1994; Kurosawa et al 1996). EROPA has also supported and has been associated with special issues of journals published in some of its member states, such as India, the Philippines, and Thailand (see Asian Review of Public Administration 1989). It has been directly involved also in the publishing program of its Japanese associate, now the Local Autonomy College (e.g., Hanaoka 1984; Nakamura 1998).

ARPA was not the organization's first periodical. It was preceded by the *EROPA Review*, published by the Research, Documentation and Diffusion Center in Saigon until around 1976, and by the *EROPA Bulletin* that began life in October-December 1976 and provides a record of EROPA's own activities. It continues today and is now into its 30th volume.

The first issue of *ARPA* appeared in 1989 when EROPA was almost 30 years old. The editorial introduction to this first issue noted the circumstances of EROPA's own foundation (see quoted passage above) and said of the intervening period,

> So much has come to pass, as the (EROPA) community weathered and endured trying moments of discontinuities, laced with crises and tensions of economic dislocation, and hostile confrontations. But the spirit and vision of sharing and interaction, of exchange and communitarianism remain unsullied even with differences in philosophies and ideologies (Asian Review of Public Administration 1989).

The mission for the new *ARPA*, it said, was to

> serve as a continuing forum with which the views and positions of scholars and practitioners can be articulated. It is intended to reinforce our commitment to good administration not only among ourselves but with other regions as well. (EROPA) seeks to expand our forum, to improve our interactions, to further discover what we are capable of by way of exchanging ideas and perspectives. The Journal aims to disseminate ideas, issues, trends and problems impinging on public administration and related fields. It also aspires to promote study and research... (and to be) a bridge of ideas and thought among EROPA countries and other nations as well (Asian Review of Public Administration 1989).

These were noble ideals and, in its earlier years, *ARPA* did much towards satisfying them by attracting good articles from academics and practitioners from all over the EROPA region and sometimes more broadly. In more recent times, however, it has come to be a vehicle mostly for the publication of selected and edited papers from EROPA's own conferences, a role previously filled by some of the EROPA books noted above. These papers will have gone through a limited form of refereeing, and many good articles have appeared. However, a journal operating on that basis draws its material from a limited constituency and cannot expect to be rated among the top journals in its field. Issues of the journal have sometimes also been very late appearing, reflecting both the need to fit in with the scheduling of conferences and financial difficulties within the EROPA Secretariat that are now being addressed.[2]

The "New Look" *ARPA*

This first issue of the "new look" *ARPA* is marked most obviously by a new cover design and the conversion of the volume numbering from Roman to Arabic numerals. We have added a map image of the Asia-Pacific region on the new front cover to reflect our regional interests and our wish to promote more solid regional academic discourse in the field of public administration and policy, although we welcome manuscripts from all over the world.

This issue repeats the practice of the last few years in presenting itself as a joint (two-number) issue. In the future, the intention is to have two issues in each annual set so that the next two issues will be vol. 22 no. 1 and vol. 22 no. 2.

Our ideals are similar to those that motivated the initial establishment of *ARPA*. Our aim is to promote good study and good practice in public administration and public management. As indicated, we want especially to serve the EROPA region, but we want to do this in such a way that we are in no sense cut off from currents of new thought and new practice circulating in the world arena. We want *ARPA* to help our region to benefit from those currents and, at the same time, to contribute to them. To this end, we seek articles that draw attention to and discuss important developments with wide international relevance. However, since *ARPA* is essentially a regional journal, some preference will be given to manuscripts that focus on developments within our region.

The articles in this issue reflect these intentions. The first, which began life as a keynote address at the 2009 EROPA Conference in Seoul, directs attention to major issues facing public administration today. It may be United States-oriented but its message has much wider relevance.

The second article in this issue is effectively a call to move forward from the Reaganesque notion that government is the problem and that it should be used sparingly. It connects with informed scholarship and more general commentary about the Global Financial Crisis (GFC) and other administrative misadventures of the recent period. It urges a return to respect for government within the framework of democratic governance in the interests of the broad community and society, at both national and international levels. There is strong argument here, but it relates to issues of fundamental importance to all concerned with good public administration and good public management in the EROPA region and elsewhere. We are pleased to be able to bring it to the attention of *ARPA* readers.

The other articles are essentially case studies of public sector developments in EROPA-region countries. The first reports on how one university in the Philippines is developing a more creative and experiential approach to post-graduate public administration teaching, and in the process serving as a catalyst for better human resource development and green growth. The second, drawing from two Australian case studies, considers the role of mixed (joint public-private ownership) enterprises, speculates on the neglect of these enterprises in traditional public administration scholarship, and seeks lessons from this experience in the light of the massive government interventions in the economies of many countries as part of the response to the GFC of the 2007-2010 period.

A Second Sponsor

We want finally to report to readers that an Asian Association for Public Administration (AAPA) was formed at a meeting of the older Asian Forum on Public Management in Tokyo in January 2010.[3] When the question whether or not it should have its own journal arose, it was decided that the more sensible course was for the organization to support the existing regional journal, *ARPA*. While the exact details of this engagement remain to be worked out, the decision holds much promise for strengthening arrangements for attracting and reviewing submissions, and expanding and deepening the impact of the journal generally. *ARPA* is open to more such sponsorships from regional associations and networks and from national public administration associations within the region.

Notes:

[1] The original state members were the Philippines, China (originally ROC/Taiwan, replaced by PRC in December 1989), Australia, Japan, and Vietnam (originally Republic of Vietnam, replaced by Socialist Republic of Vietnam in October 1992).

[2] We acknowledge with gratitude the outstanding effort of the former editor-in-chief, Professor Alex Brillantes, former Dean of the National College of Public Administration and Governance in the University of the Philippines, and his associates in keeping the journal afloat at a time of considerable hardship.

[3] The AAPA Secretariat is housed at the Centre for Governance and Citizenship in the Hong Kong Institute of Education. Information about AAPA can be found at <http://www.ied.edu.hk>.

References:

Asian Review of Public Administration 1989. "The Asian Review of Public Administration: Pursuing EROPA's Spirit and Vision", Editorial, *Asian Review of Public Administration*, 1(1), January-June.

De Guzman, Raul P, Reforma, Mila A & Reyes, Danilo R (eds) 1989. *Public Administration in a Changing National and International Environment,* Manila: EROPA Secretariat General.

Hanaoka, Keiso (ed) 1984. *Comparative Study on the Local Public Administration in Asian and Pacific Countries*, Tokyo: EROPA Local Government Center.

Iglesias, Gabriel U (ed) 1976. *Implementation: The Problem of Achieving Results,* Manila: EROPA.

Ja'fari, Mohammad Ja'far Ekram, De Guzman, Raul P & Reforma, Mila A (eds) 1994. *Public Administration and Sustainable Development*, Tehran: State Organization for Administrative and Employment Affairs.

Kurosawa, Susumo, Fujiwara, Toshihiro & Reforma, Mila A (eds) 1996. *New Trends in Public Administration for the Asia-Pacific Region: Decentralization,* Tokyo: Local Autonomy College.

Lee, Hahn-Been & Samonte, Abelardo G (eds) 1970. *Administrative Reforms in Asia,* Manila: EROPA.

Nakamura, Akira (ed) 1998. *Reforming Government: New Concepts and Practices in Local Public Administration,* Tokyo: EROPA Local Government Center.

Noranitipadungkarn, Chakrit (ed) 1979. *The Role of Public Enterprise in Development: Asia and Pacific Region,* Manila: EROPA.

Zhijian, Zhang, De Guzman, Raul P & Reforma, Mila A (eds) 1992. *Administrative Reform Towards Promoting Productivity in Bureaucratic Performance,* Manila: EROPA Secretariat General.

Biosketch

Pan Suk Kim is currently Director of the Institute for Poverty Alleviation and International Development (IPAID) and Professor of Public Administration in the College of Government and Business at Yonsei University in South Korea. He is the first Asian to be chosen as the President of the International Institute of Administrative Sciences (IIAS). He was elected to this position during the IIAS/IASIA Congress in Bali, Indonesia, in July 2010. IIAS (www.iias-iisa.org) is a global association of administrative sciences and its secretariat is located in Brussels, Belgium. Prof. Kim's e-mail address: <pankim@gmail.com> or <pankim@yonsei.ac.kr>.

Roger Wettenhall is Professor Emeritus in Public Administration and Visiting Professor at the ANZSOG Institute for Governance in the University of Canberra, Australia. He was Editor of the Australian Journal of Public Administration 1989-1995. His main current research interests are state-owned enterprise, privatization, public-private partnerships and non-departmental public bodies. E-mail address: <Roger.Wettenhall@canberra.edu.au>

Promise and Challenges Facing Public Administration*

PAUL L. POSNER, American Society for Public Administration

Abstract

Many nations are on the brink of facing extraordinary and unprecedented challenges in public management. A more competitive global economy is creating more fiscal and economic pressures on government budgets at the same time that expectations have risen for effective government interventions in an ever wider range of problems, including saving markets from themselves. Public administrators face daunting challenges in dealing with ever more complex problems with limits on staff and authority stemming from a declining trust in government among the public. Promoting successful government roles in an era of widespread public ambivalence about government is the central challenge faced by the Obama Administration in the United States, an administration committed to expanding the role of government in dealing with major problems such as health care and financial market regulation. Governments throughout the world can learn some lessons from the successes and failures experienced in the United States as they come to grips with the often conflicting pressures stemming from global markets and domestic political forces.

Promise and Challenges Facing Public Administration

Nations face a variety of common problems today, even though they have diverse values, cultures, and institutions. A truly global economy has emerged which has elevated concerns about fiscal policy and economic competitiveness to a high position on the agendas of government. Simply put, markets are both efficient and ruthless. If governmental fiscal or policy actions cause a loss of confidence, the retribution is swift and the consequences can be devastating. These market forces induce governments to watch their fiscal bottom lines more carefully, forcing greater caution in spending and tax policies.

At the same time, however, government has become more important in the life of most nations. Hopes and dreams that were once satisfied by families or markets have now increasingly been redirected to the government's doorstep. Higher expectations for government have led to greater pressures to increase spending, as well as more vigilance in monitoring the performance and efficiency of government programs. Even markets have asked government for protection. In the past year, we have seen that government has been asked to save markets from themselves in many nations, resulting in a new wave of government takeovers of private and quasi-private institutions with untold fiscal implications for the government's bottom line.

Public administrators are challenged by these forces to deliver more with less. Worldwide, public managers have reached for reforms in budgeting, accounting, management, and accountability to enable them to better answer the higher expectations

*The original version of this article was presented as a keynote address at the 22nd EROPA General Assembly and Conference, Seoul, Korea, October 2009.

placed at their doorstep. Many of the new commitments in areas ranging from health care to global warming to controlling emerging financial market instruments are not easy to design or manage. But public administrators do not have the luxury of saying no—if restive publics and markets demand government intervention, we have little choice but to do the best we can.

Organizations like the Eastern Regional Organization for Public Administration (EROPA) and the American Society for Public Administration (ASPA) provide important resources for public administrators during these difficult times. We provide opportunities for networking and learning—increasingly important given the uncharted waters that the public sector is entering into. I would argue that we have a collective responsibility beyond this. I believe that our organizations should seek to elevate management and implementation issues in the policy-making process itself. In our system, it is important for professional public administration to add its voice to the many others in policy debates over health care and global warming. Management problems are often baked into programs when they are enacted, and they can be mitigated or even solved if policymakers understand the management implications of their initiatives. Accordingly, we at ASPA are in the process of developing policy issues on managing government that we are discussing with high level officials in the Obama Administration.

I am going to highlight the specific management challenges we face in the United States at the dawning of the Obama Administration and discuss the implications for public managers and programs of public administration education. The issues faced by the United States can help other nations take away some lessons providing insights into their own public administration challenges.

The United States: The Best of Times and the Worst of Times

In the United States it is both the best of times for public management and the worst of times. We have emerged from years of defining government as the problem rather than the solution, starting with the tax limitation movement of the states. President Reagan reflected the spirit of these times in 1981 when he said that government is not the solution but the problem.

In recent years, it has dawned on many of our leaders that government indeed is the solution to many problems that the private market cannot deal with alone. In the past year we have seen that markets themselves have failed and government has once again stepped in to serve as the backstop to save the economy from depression. Beyond the financial crisis, many are turning to government to solve public policy problems that cannot be solved through private action alone. Health care, global warming, and infrastructure are three areas where it is widely viewed that effective government actions are essential to meet public expectations for better services.

Many of us have posted our new President's inaugural remarks on our walls and refrigerators—it is not a question of right or left but of what works. That is our calling card. We are the people to turn to—ASPA, public service, and the networks of organizations working on public values and goals—when you want to deliver programs that matter to people.

Now for the worst of times—be careful what you ask for! In the short space of nine months, we have all the challenges we could have imagined, and then some. The following examples illustrate the kinds of emerging challenges that public administrators face:

- Financial markets have been reeling, and the failure of agencies to oversee the increasingly novel forms of financial transactions is at least partly responsible. Public managers have been working hard to define a new regulatory regime to promote stronger accountability for public interests in financial regulation.

- Resolving the economic crisis requires an unprecedented effort across all levels of government. The major economic stimulus program that has been adopted relies on collaboration among states, local governments, the nonprofit sector, and contractors to revitalize employment through effective public education, infrastructure, health care, and other key areas of public investment.

- Health care reform will require public managers to develop and manage new relationships with health care providers and consumers that offer the promise of expanded access, improved quality, and reduced costs. As reform rebalances the system of publicly and privately financed and delivered health care, public administrators will face daunting challenges in designing new institutions such as insurance exchanges. They must also ensure that the diverse range of providers and institutions can be held accountable for achieving public access and cost control objectives.

- Climate change requires a daunting array of tools to incentivize a wholesale reordering of energy sources, development choices, and public and private institutions in collaboration with other nations to reduce global warming. Public managers will be on the front lines in designing intricate subsidies and sanctioning schemes as well as accountability provisions.

Just for good measure, the United States and most OECD nations will be facing up to these historic changes in a fiscal storm. Federal deficits are larger than they have ever been in peacetime—11 percent for the United States in 2010. State and local governments are going through their fiscal ordeals with fiscal gaps that are truly stunning. Consider that the state of Arizona reduced its spending from $10 billion to $7 billion over the past two years.

Emergent Challenges and Tensions

As these challenges suggest, public managers will be in no small part responsible for the success of many of these high stakes and high risk policy adventures. The cruel fact is that we will be both more prized and more damned at the same time. The kinds of problems we are taking on have higher stakes, and involve many more actors who are independent of the state and are difficult to control through government action alone.

The growing complexity of the problems we face. The issues on the agenda for public managers to solve have grown beyond the simple delivery questions. We know how to get social security checks out the door; in our system we have competent management of agency operations that both avoids blatant corruption and keeps the trains running on time. But the most daunting and expensive problems seem to defy anyone's understanding—health care reform, financial market restoration, and building stable societies in vulnerable regions. These problems suffer partly from the "many hands problem"—too many actors with too many different agendas required to "fix" the problems. Moreover, the solutions all involve tradeoffs with other values we care about, and we are reluctant to choose one cherished value over another. Thus, we could wipe out toxic assets from the banks but we do not want to do that by wiping out shareholders. We could limit health care expenditures by providing a constraint but we do not want to regulate access to health care or to specific doctors.

*Growing policy ambitions of policymakers***.** Many of these new problems are placed on managers' doorsteps due to the overweening ambition of policymakers themselves. The agenda explosion has made numerous private troubles into public problems: obesity, smoking in public places, housing prices. These are all issues that in our very private system were at one time not the province of government at any level, let alone federal government. However, this is no longer the case. Our nation's political leaders are drawn to these issues by 24/7 media coverage and their own political incentives to capitalize on opportunities to claim credit for identifying new problems and solutions. Whether these problem areas can ever really be effectively addressed by government action is often a secondary consideration.

Ambivalence about government. While the American public asks governments to do ever more, we limit and constrain them at the same time. The following commonly accepted duality in American politics reflects the dilemma: get the government off our backs; there ought to be a law. This best embodies our cyclical and very ambivalent view of government. Sometimes this tension is played out over many years; in other cases it is embodied in the same agency and legislation. For instance, our tax agency must both collect all revenues and protect taxpayer rights. The agency managing our national forests must cut timber for the wood products industry while protecting endangered species and providing for recreational opportunities at the same time. We want incompatible things from government that makes governing so difficult and time consuming—and seemingly irrational. And we and our political leaders reserve the precious right to speak out of both sides of their mouths: Republicans vote against Obama's stimulus but then claim credit when the new grants reach their political districts. Democrats argue for new public programs to address the many unmet needs in our nation even while they champion continuation of 95 percent of Bush tax cuts.

One casualty of our ambivalence about government in the United States is that our political leaders have convinced us that we can both increase spending and lower taxes. While this can sometimes happen, more often than not this leads to chronic deficits that undermine the nation's economy and future fiscal capacity. Indeed, revenue and tax policy ultimately defines what government does.

The US has a public service appetite at the high end of OECD countries but with a wallet at the low end. Our taxes are among the lowest as a share of the economy of any advanced nation. We are the only major industrialized nation without a national consumption tax. Our failure to raise taxes without reducing major spending programs has led to perennial deficits which have resulted in chronic underfunding of government agencies. Agencies have had to limit training and other investments in public managers. They have engaged in rampant use of contractors in lieu of hiring new employees. While this is sometimes less expensive in the short term, many agencies now lack the in-house institutional expertise required to manage complex programs as a result.

The limited reach of direct government. The problems that governments take on most often spill over boundaries—national, sectoral, and intergovernmental. Individual jurisdictions at whatever level are not capable of “fixing” problems on their own. Instead they must work collaboratively across boundaries to match the boundaries of the solution with the expansive boundaries of the problems.

In the United States, the federal government has relied on state, local, private, and nonprofit entities to deliver national programs for at least the past 50 years, whether it be environmental protection, health care, or infrastructure. As the federal government role has grown, so does our reliance on others to administer and deliver programs.

The reasons for this are complex and involve the fact that we have a federal system of government. More fundamentally, the American public wants more nationalized programs but is uncomfortable with using federal bureaucrats to do the job. Given the ambivalence that most Americans have toward the federal government, they seem comfortable with creating new federal programs only if the delivery is decentralized to other sectors.

The consequences for public management are formative and little understood. The federal government, and increasingly our states, are in the business of steering, not rowing, by writing checks and issuing rules that other sectors in our society follow in implementing national programs. There has been, moreover, a growing reliance on more indirect tools of governance which feature little or no involvement by bureaucrats. Such tools as tax expenditures are provided for a range of public purposes. Unlike regular programs, tax credits are claimed by beneficiaries without prior review or approval by government officials. Rather, they are claimed on tax forms and generally escape any serious control by government officials. At this point, the dollar value of tax expenditures now exceeds the total federal appropriations for discretionary federal programs. The growth of public-private partnerships is another example of third party government where government is reliant on the private sector not only to deliver contracts to support public goals but also to provide the up-front financing for public projects at the outset.

Using other sectors and engaging non-governmental actors are more difficult than using direct government employees to deliver programs. Direct employees share the goals and values of the agencies for which they work, and hierarchical managers have more direct leverage over their behavior. Third party government, by contrast, invites managers and officials from other organizations to carry out public programs, even though they do not necessarily share governmental interests and values.

Third-party government can expand government's reach and capacity. Gaining access to the expertise and financial resources of other sectors provides capacity that government may not have on its own. But it also gives rise to a host of new accountability and management challenges. Principal - agent issues include fiscal windfalls, fraud, and moral hazards. In the United States, we have recently learned about the limits of this strategy in rescuing banks and homeowners from the foreclosure crisis.

While it was necessary to bail out large financial institutions to save the nation's economy, the federal government also has increased the potential for moral hazard which occurs as the paradoxical consequence of government intervention. The financial rescue may have given signals for future mangers to engage in risky financial behaviors, secure in the knowledge that government will save them from themselves. Public managers have learned how to design bailouts to avoid the worst of these problems. For instance, the government should ask for financial positions in aided firms so it can reap the windfall profits when firms recover. It also should provide where possible loans rather than grants so that banks and other institutions will have to ultimately use their own resources to repay the subsidy. And government should insist on higher reserves and capital requirements for all financial institutions so they have a greater financial cushion to rescue themselves during future downturns.

The foreclosure crisis illustrates how difficult it is for government to work through private parties to advance public goals. Under the Obama Administration, the federal government has designed a program to entice banks to renegotiate mortgages for homeowners in default or about to go into default. Avoiding foreclosures is better for the economy and the banks, or so we thought. It turns out that letting foreclosure take its course generates such high incomes for banks that even generous federal subsidies have not been sufficient to encourage them to renegotiate with troubled borrowers.

What this suggests is that public managers need to be more savvy in dealing with the third parties we increasingly rely on. Those of us who practice and teach public administration need to concentrate as much, if not more, on the design and management of third party government relationships and tools as we do on the management of hierarchical organizations. Third-party government is not only the wave of the future; in the United States, it is already the dominant model for organizing public service delivery.

Rebuilding government management infrastructures. The best way to manage in this complex environment is to hire good managers and design policy tools that make sense and monitor implementation. This is even more important for third-party government. While government offloads the delivery of public services, government officials are still ultimately accountable for the results achieved as well as the fraud and waste that occurs on their watch. In the United States, there has been a decline of civil service workforces even while program responsibilities have grown exponentially. For instance, the numbers of contracts issued by the federal government has doubled in recent years, while the number of federal managers who oversee contracts has declined. One of the most urgent needs at the federal level is to expedite the hiring of new employees to not only match the growing role of government but to also replace the aging workforce of baby boomers that is already retiring.

As we restock the federal workforce, there is a need to address the eficiency in generalist managers within the federal government. In the U.S., unlike Canada and other systems, our higher civil service is comprised of specialists. There is little or no lateral movement across agencies. In the world where problems skip over boundaries, it is vital that our public managers have experiences across several different areas in order to be exposed to live case studies of what works and what does not.

Public transparency and confidence. Today, public transparency has emerged as the new buzz word. Crowd sourcing has replaced outsourcing. While it is hard to argue with inviting greater public engagement in their government, the question remains about the impact of this trend for public management. In some respects, the drive to promote greater public transparency shares with the new public management a profound distrust in public administrators. Rather than trust seasoned experts with deep institutional knowledge, we are throwing open the gates to unvarnished input from the broad spectrum of publics interested in public programs and policy.

The implementation of the 2009 stimulus in the United States is a laboratory that will test the new forms of public engagement. Rather than sending information on the results achieved from the numerous grants and contracts to federal managers responsible for the stimulus programs, recipients of stimulus funds will report their results directly on a public web site that will be available to all.

Greater public information is a public good and providing more opportunities for the public to engage in programs affecting their lives may indeed make bureaucrats more responsive. Yet I must say that I am worried about the unfettered release of data on the results of public programs without any interpretation or context provided by experts in public agencies. Every extreme media outlet on the internet will be free to pick information to justify partisan and ideological points of view. Those who want to find examples of waste supported by the stimulus program will assuredly be able to find examples, or at least be able to frame the results as waste. The ironic result may be to promote not widespread public engagement but broad public cynicism about government and its managers.

More importantly, the public's ability to understand the results of government is not simply a product of the information that is provided on government programs. Rather it is also a function of how accessible and understandable the governance arrangements are that deliver public services. In this regard, the rise of third-party government I discussed earlier may constitute the most serious barrier to public engagement and understanding. The sheer complexity and multiplicity of actors involved in solving complex problems make it difficult to understand who is in charge or who to blame when something goes awry.

The response to Hurricane Katrina in 2005 illustrated the problem. Numerous parties were to blame for the widespread confusion, delays, and suffering that occurred in the wake of that storm. The Mayor, Governor, FEMA Director, and even the President sought to shift the blame to other parties without directly accepting responsibility. The media had difficulty assigning responsibility in the process. Studies have shown that much of the public, in fact, misunderstood the complex system used to respond to a high risk disaster, with many inappropriately assigning blame to the President for the mistakes made by state and local officials.

The foresight imperative. The United States, as well as many other nations throughout the world, are now in the grips of a financial and fiscal crisis. While signs of recovery are in the air, there is no clear sailing for national budgets once we emerge from the deep recession of the current period. Rather, most advanced nations will face a more prolonged and structural crisis in public finances in the decades to come.

In most developed nations—China as well—demographic and health care pressures are mounting that make existing public finances unsustainable. Deficits will grow in the U.S. and elsewhere to unsustainable levels. Major reforms will have to happen on both spending and tax programs.

We have seen that leaders and nations alike respond to a crisis. The real test is whether they can anticipate and use foresight to make changes ahead of the curve. Everyone knew that banking and finance were unsustainable before 2008, but no one had the political courage or foresight to take action to head it off. Similarly, at the time of the New York City financial crisis of 1975, everyone knew that the city was living beyond its means, but it was in no one's interest to stop the fiscal charade and undertake the fiscal reforms that would have prevented the city from falling into bankruptcy.

The costs of waiting for a crisis to make the inevitable changes in public finances are substantial. When a crisis occurs, nations must make precipitous changes in important public commitments and promises—sometimes over a weekend—to regain credibility with creditors and currency markets. The hope is that nations will use foresight to head off rather than fall into the next crisis.

Delay and study are usually the way we creep up on big problems. Charles Lindbloom and Aaron Wildavsky indeed argued that incrementalism is the most appropriate strategy to use in solving complex and uncertain problems. We learn as a society by taking on large issues through marginal, modest steps (Lindbloom and Woodhouse 1993; Wildavsky 1964).

However, incrementalism may be the most risky strategy to deal with unsustainable forces and problems, such as global warming and long-term fiscal problems. By taking early action on problems in a comprehensive way, nations have the opportunity to control festering problems before they become crises. Once a crisis occurs, many options may no longer be available. In this sense non-incremental and comprehensive actions are better suited to deal with known long-term problems. At the very least, comprehensive strategies are reversible—if we do too much and the problem is not as great as we thought, we can undo some of the reforms and regulation. However, if we do too little or nothing at all, our options become far more constrained. If we let warming of the climate gain momentum, for instance, we lose the chance to take cost-effective preventive actions and other mitigation strategies and consign ourselves to drastically reduced and severe options that will entail fundamental changes in our living standards and economies.

The Role of Public Administration Education

I am aware that the foregoing paints a daunting picture of what lies ahead. I think it also provides an agenda for those of us in public administration education to prepare our students for the kind of real world pressures they will face.

In the United States, our field has already lost some of its former standing because we have not been training our people in the realities of contemporary governance. In devising the government's response to the Great Depression, President Franklin Roosevelt turned not only to bankers, economists, and lawyers but also to scholars and practitioners in the field of public administration such as Charles Merriam and Louis Brownlow. Today, the Treasury needs help just as much as it did in the New Deal to design bailouts and new regulatory structures. They are not turning to public administrators but to the sources of the problem: investment bankers, business financial engineers, etc.

So how can we reclaim leadership in our own field? I have argued that we need to be educating our students more broadly to better understand the contemporary realities of governance. Our traditional approach to teaching management in large organizations needs to continue. But we need to be updating our curriculums and strategies through the following:

- Third-party governance tools and strategies – we need to be teaching our students about the governance challenges associated with the use of networks and other third parties by government to achieve public purposes. This includes a focus both on more indirect tools of governance such as tax expenditures and loan guarantees as well as on the realities of network management.

- Study of private finance and incentives – we need to help our students better understand the finances and incentives facing the private sector as it does business with government. Our students need to be exposed not only to governmental budgeting and accounting but also to the balance sheet and governance of private companies to better understand how public-private partnerships and regulation can be designed and implemented.

- Reach across the Wilsonian divide to focus on the politics of public policy – we need to sensitize our students to the important role played by the policy-making process in setting the stage for public management. The truly difficult management problems are baked into the cake in the policy process, and public administrators need to understand that process to better focus on the political dimension of public management challenges and solutions.

- Engage practitioners in developing our curriculum – we need to include thoughtful practitioners in our teaching and curriculum. The founders of our field were "pracademics" who crossed the boundaries between academia and public policy practice frequently. Today, academics have retreated behind the insular walls of the university, and practitioners are often not sufficiently engaged with universities to take advantage of what we have to offer (Posner

2009). Concerted efforts need to be made to bridge this gap. Research on many key public management issues is far richer when it is founded on deep understanding of the realities of governing, while practice can be improved if it is informed by the best thinking in academic circles.

- Increase focus on comparative public administration – we face common challenges across nations and we should build in substantial comparative dimensions into our curriculum to enable our students to better learn from successes and failures across the world. Much informal lesson-learning and dissemination of reforms already occurs but this needs to become more systematic and data driven.

Serious consideration needs to be given to these issues if scholars and practitioners are to make progress in tackling the daunting challenges facing us all in the decades to come.

References

Lindbloom, Charles. & Woodhouse, Edward J 1993. *The Policy-making Process*. Englewood-Cliffs, NJ: Prentice-Hall.

Posner, Paul L 2009. The Pracademic: An Agenda for Re-engaging Practitioners and Academics. *Journal of Public Budgeting and Finance*, 29(1), 12-26.

Wildavsky, A 1964. *The Politics of the Budgetary Process.* Boston: Little-Brown.

Biosketch

Paul L. Posner is the Director of the Public Administration Program at George Mason University. He is the Chair of the Federal Systems Panel of the National Academy of Public Administration and Immediate Past President of the American Society for Public Administration. He has authored numerous articles on budgeting and federalism and his book, *The Politics of Unfunded Mandates* received the award for best book on federalism from the American Political Science Association.

Democratic Governance *With* Government: Scope, Objectives, and Significance

GERALDINE FRASER–MOLEKETI, United Nations Development Programme
and
DEMETRIOS ARGYRIADES, International Institute of Administrative Sciences

> *In elevating to a level of demi-worship people with big bucks, we have been destroying the values of our future generation. We need a total rethinking of who the heroes are, who the role models are, and who we should be honouring.*
>
> - Benjamin Blech[m]

Abstract

The mega-crisis that began in 2008 has been seen as presaging more than the meltdown of the financial markets. It has also been seen as marking the passage of a doctrine and ideology which swept across the world in the course of 30 years from the 1980s onwards. Briefly stated, in the words of the current President of the United States, this doctrine held that government was "the problem"; indeed "that every problem can be solved if only government could step out of the way; that if government were … dismantled … that would … benefit us all" (Obama 2009a).

A new term with old roots was coined: "good governance."[1] Dating from the 18th century, it served to give the impression that democracy was assured if government would "step away." However, in the measure that governments worldwide have been struggling to bail out ailing banks and enterprises, we have been reaping the fruits of this singular ideology. On the social and ecological fronts, the downsides of this doctrine have been monumentally costly, though all too often swept under the rug. Against this backdrop, the article explores the damage that disdain of government has inflicted on the public sector.

Introduction: The "Madoff" Model of *Governance*?

Over these last 30 years, the term "administration" has been expunged from our vocabulary in an attempt to state that all that is important is management, i.e., applied economics. This market model of governance has sought to convert all government to private sector ways. Our article will show that democratic governance begins with a competent government under the rule of law. This calls for capacity-building, starting with the reinforcement of home-grown, in-house capacity to steer and stay the course of public service reform which has become essential at times of rapid change. Worldwide, the impressive outcomes achieved by Asian states, where governments have consistently held the driver's seat, should be proof of the fallacies that may be held responsible for the crisis of the West.

---

[*] The epigraph is drawn from Benjamin Blech, Professor of the Philosophy of Law, Yeshiva University, New York, on the "Madoff scandal", *New York Times*, 23 December 2008.

Public sector organizations must be equipped with the requisite knowledge and skills to make the critical choices that are incumbent on governments. They ought to use external inputs of expertise only when necessary to maximize advantages. Good democratic governance should be our goal. This, however, is predicated on a caring and compassionate, as well as competent, government taking charge and leading the country where its people wish to go. It begins with accountable government, observant of due process and of the rule of law; one which listens, includes, and responds; one which is relevant to people's basic needs; and one which acts transparently because it has nothing to hide. With the wisdom of hindsight, it is possible to argue that challenges and crises often carry the seeds of reform. They offer opportunities that ought not to be missed. Many countries working together can bring these to fruition.

Sadly we may have drifted far from these precepts. The worst economic debacle of the past 80 years may also, in retrospect, prove to be the farthest reaching, touching people on all levels across the world, and all segments of society. According to all accounts, its duration may be a record—three years now being considered as a conservative estimate—in the US and Europe, at any rate. We do not know how long it will be before the world at large may see the light at the end of the tunnel. And there is no denying that, globally, the cost in terms of human suffering and ecological damage is substantial as well as unevenly spread, creating the potential for social instability and political unrest.

Sadly again, it is also clear that, storm-like in its onset, this multi-faceted crisis might have been anticipated. In some ways, it represented the highly predictable outcome of a capacity-deficit in government *and* leadership. This produced erroneous policies that were dogmatically followed but poorly implemented and, even in some cases, imperiously prescribed to many developing countries as donor conditionalities.

It is clear in retrospect that, replete with spin and sound bites, the tenets on which these policies were based, their assumptions, and the measures that followed were deeply flawed in most cases. Though promising prosperity as well as progress in freedom, they carried in their trail inequity and disparities on an unprecedented scale. The world is now discovering, perhaps a little late, that this much-splendored model, and the hope of global prosperity which it served to underpin, represented little more than a rhetorical bubble on which more bubbles were piled. Indeed, we are tempted to call it the "Madoff Model of Governance," giving this model the name of the notorious sponsor of the defunct scheme that spirited away US$65 billion worth of savings from private individuals and charitable foundations.

To avoid repeating its errors, we need to draw the lessons of this legacy of close to 30 years. We need to ask ourselves how such a hollow model, so plainly one-dimensional, at odds with prevalent currents in democratic theory and the institutional gains of more than a couple of centuries, contrived to rise and conquer but, having reached its zenith, withered away so quickly. These are truly baffling questions. It should be clear, however, that what is needed now is to go beyond the analysis of what went visibly wrong and come up with proposals that move us towards a sounder future.

Pragmatic considerations remain our guide for action. However, the term "pragmatism" is itself value-laden, frequently invoked by people of varying persuasions in very different ways, and amenable, in fact, to varying interpretations and to conflicting viewpoints. Like virtue in Aristotle, pragmatism lies midway between two extremes: inadequacy and excess. It thrives at the intersection of differing approaches, ideologies, and disciplines; it precludes one-dimensional thinking. Arguably, at the source of our present sad predicament lies the mistaken assumption that one discipline, one culture, one set of policy options, one doctrine, one ideology has all the needed answers; that, as expressed in slogans which gained a lot of currency during the 1990s, we should "let the managers manage" and accept that "one size fits all." We are currently reaping the whirlwind of such erroneous thinking.

The Market Model of *Government*

The market model of *government* represents par excellence the product of such thinking. Its fundamental premises were authoritatively stated by President Reagan himself at his inaugural address in 1981. In his words, a country's government was not a problem solver but rather the problem itself (Levine & Rosen 1991). Allied to this idea was the belief that economics and management, not politics and administration, held the key to success and prosperity, and that markets, unconstrained by government "bureaucracy," would allocate resources most efficiently and effectively. Few asked the obvious questions: Effectiveness for what? Efficiency for whose good? Few ventured to remark that efficiency and effectiveness are not ends-in-themselves but rather instrumental considerations whose value and worth depend on the equity and propriety, social equity in particular, of the goals pursued in each case (Frederickson 2010). If the objectives were perverse, if the outcomes were prejudicial to society or the world, the methods and modalities applied to their attainment, however efficient per se, would hardly improve the result. Rather they would make it worse, more pernicious and immoral.

Such was the implicit faith in the market model of government and the primacy of the markets that nothing, in the 1980s or '90s, could arrest the model's advance. Words of caution were dismissed as tendentious or irrelevant. In the United States, but also in other countries, suspicion of "big government" dominated the discourse and guided political action in the closing decades of the century. Curbing the size and influence of the federal bureaucracy became a major plank in the reform agenda. The message was embraced even by President Clinton who, half-way through the '90s, emphatically stated that "the era of big government was over" (Krugman 2008). Echoes of this belief were also heard in Canada, Australia, New Zealand, and the UK (Caiden 2010: 203-210). They even resonated in many developing nations and countries in transition where this model of government was assiduously promoted by financial institutions and by the donor community.

It seemed to matter little, in light of this belief, that hollowing out the state would hollow out democracy by visibly undermining the relevance and rigor of democratic processes. Also weakened were the capacity of democratic governments to address the core concerns of people for development, for basic social services, for a secure environment, and for the ability to plan the future of their families with reasonable confidence (Pichardo-Pagaza & Argyriades 2009: 3-4). A trickle-down ideology prevailed that, to all intents and purposes, equated the general interest with the enrichment of the few. It was hypothesized that regulatory action and state intervention were very largely unnecessary, indeed counterproductive, and that "corporate responsibility" would complement, arguably even replace, a major part of government, including welfare services.

The deepening recession in several parts of the world brought into sharp relief the fallacy of this approach. Not only has it exposed a grave deficit in capacity of the non-governmental sectors in adequately coping with major human crises but, like that other crisis of global climate change, it has emphatically shown the inadequacy of that much-vaunted "social responsibility" when major corporate interests clash with the public good, national or international. So it could be said that

> the greatest problems with managerialism in the public sphere are its reductionism, its deconstruction of the notion of public good, and its overall ethnocentricism. It tries to reduce a complex phenomenon to a single model drawn from business. (Dwivedi et al 2007: 21)

In the name of this business model, core values of democracy—equality, fraternity or solidarity, and equity—lost out to "Social Darwinism" and the survival of the fittest. Individual rights and freedoms, painstakingly secured over the past two centuries, gradually waned and withered. They faded away when, with New Public Management (NPM), they were "commercialized"—made conditional, in fact, on people's purchasing power. Citizens were converted into customers. The rule of law and due process were placed on the back burner (Sommermann 2001: 2). In spite of much lip service to universal principles and democratic values, integrity and professionalism, transparency and accountability suffered a similar fate, accepted only on sufferance and strictly subordinated to efficiency and effectiveness. The market model of government brought in its trail the triumph of instrumental reasoning, which fully accorded precedence to goal attainment. No boundaries were countenanced, no limits set to its quest. Negative externalities were lightly brushed aside as mere "collateral damage." The lingo of managerialism gave prominence to slogans—"results over process" was one—that emphatically affirmed that normative constraints and moral qualms were for the faint of heart; that in the realms of politics and private enterprise, ends justified the means.

Talk of enabling frameworks did not open up the possibilities of regulatory structures or require that governments play the role of arbiter or moderator. With government downgraded as the dreaded hand of bureaucracy, "rules-bound administration" became the butt of criticism. The 4Ds—deregulation, decentralization, downsizing and devolution—held sway, presented by their advocates both as self-evident truths and as good management practice, as public service reform.

Hostility to government and regulatory frameworks gave NPM a strong *elitist* bent. NPM doctrine puts its faith in "entrepreneurial managers," truly this century's version of the "captains of industry" feted a century ago. In neo-liberal parlance, democracy in the '90s was plainly equated with capitalism and "free markets." However, this was freedom in the economic sphere, mostly for very few. It hollowed out society and the administrative state. In the words of Margaret Thatcher, "Society does not exist." The gains of half a century, accomplishments that broadened and greatly enriched the concepts of welfare and security, were rolled back in some countries as inimical to freedom and to the laws of the market. Highlighted as "fundamental" by the Millennium Summit (UN General Assembly 2000), solidarity and equality quickly lost ground, conveniently forgotten or even sometimes questioned.

A new concept came to the fore. The code word was "exceptionalism" (Newland 2007: 24; Financial Times 2009). In 30 years, this concept, and selective exemption from rules or international treaties that must apply to all, have contributed to crises as well as to corruption, abuse and arbitrariness with which we are faced world-wide. The damage to our planet and to the bulk of humanity is plain for all to see. We need to learn our lesson. It tells us, in effect, that process is important. It makes and marks the difference between the lawful pursuit of national self-interest or personal advantage—of profit, for that matter—and various "ponzi" schemes, national or international, of which Madoff's was the latest as well as the most notorious. The highly predictable crises with which the world is faced, not merely in the economic but also in the political and ecological realms, have many common features. Common to their root causes is disrespect of legal as well as ethical boundaries. What in the last analysis they share is a complete indifference for the type of enlightened self-interest that ensures sustainability of outcomes in the long term. Rules, regulations and procedures are meant to set these boundaries. They make for orderly progress and shared beneficent outcomes, nationally and internationally (Stiglitz 2010: 29).

The need for orderly progress is heightened by the pressures that come from rapid change, compounded as they are by the wide diffusion of power, increasing diversification, and related inequalities of dispensation and influence. These trends have been apparent both nationally and internationally. How best to cope and meet these several pressing needs is *the* challenge of our times. It calls for democratic governance. But, lest we should forget it, such governance begins with a responsive government that holds the driver's seat and takes the lead. Considering the scale as well as baffling complexity of most of the issues at hand, responsive and competent government calls for capacity-building on both the human resources and institutional fronts. Arguably over-reacting to the much-maligned idea of "big government," neo-conservative leaders and neo-liberal theorists asserted that for business, self-regulation was adequate; that regulatory structures could accordingly be dispensed with safely, downsized at any rate, both nationally and internationally. After two costly wars and the lop-sided outcomes produced by unilateralism, giddy deregulation, and economic management by the G-7, we may have second thoughts. The remarkable performance of both the East Asian Tigers and the "giants of the South," contrasted with the record of many a Western economy, is clear for all to see. One of the signal changes of our times, it contributed to the rise of the G-20 and called into question a global architecture that dates back to the days of the Second World War and a related model for global and national governance that has been long on promise but rather short on results.

Let us be clear about it. We are almost certainly moving towards a multi-polar, rapidly changing world in which hegemonic exceptionalism would likely spell disaster for humanity at large. Even if the current meltdown had not occurred and new economic giants had not emerged on our planet, the pattern of self-regulation and non-transparent governance by virtually unaccountable moneyed elites could not have produced sustainable and equitable outcomes in the long run. What hostility to government and the withdrawal of government engendered in the course of these past 30 years was not the promised growth of individual freedom (Clinton 2010) but mostly the rise of inequity, corruption and inequality on an unprecedented scale, with massive concentrations of power and wealth enabling a very small number to shape or twist the rules, as well as public policies, in their own favor (Drum 2010: 37-45).[2] A lead article in *The Economist* on "the rise and fall of the wealthy" had this to say:

> The past 30 years have been a great time for the wealthy. Their businesses became more profitable; their equities and properties increased in value; for those who worked in investment banking or hedge funds, bonuses rose steeply. And the further up in the income scale you went, the better the rich did. Just as the bottom 90% of the population have lagged far behind the top 10%, most of those in the top 10% have trailed the elite 1%. And that select 1% has looked in envy at the Croesus-like 0.1% at the very top of the tree. (Economist 2009: 11)

Research in various regions strongly suggests that this has hardly been an isolated phenomenon. In Eastern Europe, for instance, the Gini co-efficient shows rising inequality during the past two decades (Whitehead 2009: 281); likewise in Latin America (Pop-Eleches 2009: 24, 280). One may be allowed to argue that, even if sustainable in the short term, such a lop-sided system should be a matter for concern, both nationally and internationally. So blatantly favoring a few to the detriment of the many and offering few prospects of any future uplift for humanity as a whole, it could hardly be called democratic.

From Government to Governance … and Back

The exclusion or marginalization of vast segments of humanity renders problematic not only a timely accomplishment of the Millennium Development Goals (MDGs) but also resolute action to cope with major threats coming from climate change. Underpinning this lop-sided system is the ethic of predatory individualism, devoid of all constraints whether social, moral, or political (Argyriades & Dwivedi 2009: 81). Deconstruction of the notions of public space and good and the concept of general interest voids democracy of choices and, ultimately, of meaning. While the narratives produced by the system are replete with ethical messages, they make it very clear that what has really been intended is only more of the same to benefit those few who dominate the system, plainly using it to serve their own particular interests (Dwivedi et al 2007: 121-122).

What give democracy meaning are people having choices and peacefully exercising their right to make those choices. Voiding government of choices has hollowed out democracy, leading the system to an impasse and to its current crisis. On a deeper level, the crisis is one of legitimation, as rampant disaffection coupled with growing symptoms of anomie so amply demonstrate. To avoid the latent perils and potential for social unrest, we ought to listen carefully to the voices of dissent and discontent. What may sound as dire warnings rather represent the outcomes of the policies pursued over the past three decades. They stem from the massive withdrawal of government from the socio-economic field, together with surrender of both its regulatory and redistributive roles. They underscore the downsides of a doctrine that was concocted by the system in order to legitimate its actions, obscure its negative outcomes, and advance its claim to "pragmatism," thus shoring up its assertion that alternatives do not exist.

It took the final report of the XIIIth Meeting of Experts on the UN Programme in Public Administration and Finance to remind the world that strong markets and strong states are not adversarial forces (UN 1997: 1-2; see also International Institute of Administrative Sciences 2002: 43). The Bretton Woods institutions took a different approach. Introducing the concept of "governance" in contrast to "big government," the World Bank produced a book about it in 1992 in which a definition was proffered. According to this study, governance pointed "to the manner in which power is exercised in the management of a country's economic and social resources for development." It added

> Good governance is epitomized by predictable and enlightened policy making (that is, transparent processes); a bureaucracy imbued with a professional ethos; an executive arm of government; and a strong civil society participating in public affairs, and all behaving under the rule of law. (World Bank 1994: vii)

A tall order, one might argue; certainly highly desirable but hardly what existed or was readily attainable in large parts of the world. In retrospect, however, what in the last analysis gave weight to such pronouncements was the road map and the accompanying norms prescribed towards the achievement of this "desirable" goal.

> The new model requires a smaller state equipped with a professional, accountable bureaucracy that can provide an "enabling environment" for private sector-led growth to discharge effectively core functions, such as economic management, and to pursue sustained poverty reduction. (World Bank 1994: xvi; see also World Bank 1997)

Allied to implicit faith in private sector capacity to drive the growth agenda, the concept of "the shrinking state" emerged as a critical element of the "Washington Consensus," which dominated the scene during the 1990s or even later (Stiglitz 2002). It was as if good governance and democratic processes, socio-economic development, and poverty reduction could be pursued effectively by "hollowing out the state," to use an expression coined in the 1990s (Rhodes 1994).

We have seen in retrospect that vesting too much faith in non-state institutions, "faith-based" or otherwise, and looking for results into the "one thousand lights," to use the expression favored by two recent US Presidents, was really not the path to poverty reduction as had earlier been hoped. The tragic disasters that visited Haiti and Pakistan in the first decade of the 21st century have amply demonstrated that, when it comes to crises of this or lesser magnitude, there's really no alternative to government taking the lead and rallying the community of governments worldwide. Remarkably, however, for more than 20 years "welfare"— the very term—was expunged from the official vocabulary, identified with charity, bureaucracy, and big government, and often relegated to a very low priority. It is currently making a comeback. In one form or another, countries are rediscovering the virtue of safety nets and the need to come to the rescue not only of vulnerable groups hard hit by the GFC but also of the impoverished amid those earning plenty (De Parle 2009: 1-4).

Maligned in certain countries, welfare has been equated with "the administrative state" and a proactive government. More recently, the expression found itself in the eye of the storm that accompanied proposals on government measures to bail out the ailing sectors of economic activity and mitigate the plight of those smitten by the GFC. The debate brought to the fore a controversy regarding the scope and role of government in our contemporary world, i.e., in our society and globalized economy (Newland 2007: 24-46). Not only in North America but in other parts of the world (Hill 2010), people have looked to government to ease their pain and to restore a measure of security and predictability in their workaday lives. President Obama articulated this sentiment in his Inaugural Address.

> The question to-day is not whether our government is too big or too small, but whether it works; whether it helps families find jobs at decent wages; a care they can afford; a retirement that is dignified. (Obama 2009a: 2)

Subsequently and more explicitly, Obama memorialized President Abraham Lincoln with thoughts that speak volumes on the nature of democratic government and the neglected concept of the public or general interest.

> In recent years we've seen the pendulum swing too far in the opposite direction. What's dominated is a philosophy that says that every problem can be solved if only government could step out of the way; that if government were just dismantled and divided up into tax breaks, that it would somehow benefit us all. Such knee-jerk disdain for government—this constant rejection of any common endeavor—cannot rebuild our levees, or our roads, or our bridges. It can't refurbish our schools or modernize our health care system. It can't lead to the next medical discovery or yield the research and technology that will spark a clean energy economy. (Obama 2009b)

Such misplaced "disdain" and deprecation of government do not raise the hundreds of billions, potentially trillions, of US dollars that are needed to bail out sinking markets or to combat unemployment. What is needed is a caring government with leadership respectful of all citizens, restoring a climate of trust, where free enterprise initiatives and civil society activities can flourish under the rule of law. What matters is that governments, responsive to their peoples, not pressure groups or lobbies, take the helm and keep control. The issue is not the size or scope but rather the centrality and relevance of government to citizens' real concerns.

Of Spin, Sound Bites, and Slogans

What one finds most surprising is not that this "new" model, hostile to an active government, contrived to reign supreme for close to 30 years, but that it was sold to the world as the last word on "governance" and "cost-effective management." It sounded for a time as if, counter-intuitively, democratic governance and government were antithetical notions—truly a contradiction in terms. This model claimed to be "pragmatic," yet its message was coupled with scientific pretensions and related global ambitions. As Heady (2001: 391) put it, NPM represented the "most recent urge to develop a science of administration with principles of universal validity." Its theorists spread their message to the world, advancing their proposals as universally valid "one size fits all solutions," in much the same way that Taylor had proffered his scientific management as "the best way" at the dawn of the 20th century.

What seems an oxymoron is that a "paradigm shift," ostensibly rooted in science, portending transformations not merely in public management but also in our democracy and the markets (Hughes 1998: 242), should, like a sudden flash, prove in the end to be so ephemeral and short-lived. A confluence of events explains to a large extent the meteoric rise and momentary dominance of this singular ideology (Argyriades 2006: 155-161). There can be little doubt that the measure of acceptance that it received worldwide was to no small degree the work of the donor community and private sector consultants. How management consultants transformed the tasks of government and "privatized" the realm of public administration, during the period in question, was explained in these words:

> NPM has made it clear that implementation or execution is someone else's responsibility—it is "operations" not "policy" or "strategy." The reputation of management consultants rests on a successful interaction, usually of a limited duration. Later difficulties can be put down to poor implementation (Pollitt 2001: 933-947).

With private sector consultants conspicuously in the lead, it comes as no surprise that all too often salesmanship, replete with spin and sound bites, prevailed over scholarly standards (Jain 2007; Kamensky 1996). Have governments invested excessively in consultants? With 20 years' experience and many dismal failures along the way, it is fair to ask whether the path we followed availed us or failed us; whether, in other words, multilateral agencies and governments alike outsourced to private consultants core functions and decisions, and neglected in the process their own capacity base, that is, institutional memory and in-house expertise.

Tied to this predilection and overall approach were the marketization of government and the commercialization of knowledge and learning. These have profoundly altered the nature and direction of administrative reform. Simply put, they have transformed administrative change into a profitable venture; into opportunities for business, which all too often shape the nature and direction of reform—including technical inputs ostensibly developed for public service purposes but where the end-users' needs rank low in the scale of priorities. Private contractors have vied for such lucrative deals (Stanger 2009: 84-108). The practice has been given a very attractive neologism, introduced in the 1990s: "outsourcing."[3] Related policy advice has gone to such extremes—both nationally and internationally—that, in the words of an experienced UN adviser, it has

> resulted in the ridiculous situation where Public Service Reform programmes in some countries were designed by external consultants with terms of reference also designed by external consultants and outputs evaluated also by external consultants. The end result has been perpetual dependency on external consultants for making reforms in the public sector. (Kauzya 2009:109)

The critics of such practices have often made the point that, in spite of much lip service to demand-driven programs, these have been donor-driven in too many cases, and that expatriate officers or private sector contractors have claimed the lion's share of the related budgets. Too often, spin and sound bites have been extensively used to sell decorative changes or to conceal with "packaging" the absence of real substance. Worse still is the surrender of government control that is the result of this practice. As an expert has remarked of the US itself, "It's been an unmitigated disaster… there are not enough trained professionals in the government to manage the contractors" (Stanger 2009: 89).

Knowledge-sharing and exchanges are more than ever critical and needed in our field. What we need to reconfigure, in an era of globalization and growing interdependence, are the limits of outsourcing and the proper role of consultants in administrative reform and democratic governance.[4] Nationally and internationally, the calls for the setting of guidelines and drawing up boundaries to stop abusive practices have grown in recent years. What has occurred has undermined the role, professionalism, aura, prestige and independence of public institutions, and further exacerbated already known proclivities towards patronage, corruption, abuse and arbitrariness (Burns 2009). [5]

It is hardly necessary to dwell on the idiosyncrasies of public sector reform or to dispute the fact that democratic governance is not a self-evident truth or universal absolute but, like reform itself, is a subject of controversy. In the UNDP and the International Institute of Administrative Science (IIAS) we have been working on ideas that should help to promote a pattern that purports to be democratic, effective, inclusive, interactive, accountable, transparent and responsive. They reject the notion that "one size fits all" and ask how reform notions may translate into the practice of government in different parts of the world: *whether* particular countries should opt for centralized approaches or for decentralization; *what* public service policies or structures should be adopted; *how* many departments of government should there be; indeed *how* many levels for devolution of power and decision-making authority should be preferred. These are hardly types of issues on which advisers should attempt to generalize; instead, they need to be viewed in the context of each particular country.

"Procrustean" is the term that ancient Greek mythology has left us to describe a tendency to assume that there is one solution applicable to a problem uniformly throughout the world. Indeed, as we have seen, the errors of past ways most likely had their source in this belief—the idea that management is an exact science, with authoritative answers and stern prescriptive guidelines for all major issues at hand. It is likely that this erroneous view may have been the cause of the pronounced proclivity to "outsource" even the critical choices which lie in the remit of government and are for it to make. In a fast-changing world, such policy decisions touch on our very destiny and on our countries' future. They shape the course of action for public administration as well as other fields. Global organizations—and management consultants—may help with useful "inputs" and comparative experience built over long decades. The operative words are "may help." However, their advice will yield results only when elected national governments have the requisite in-house capacity to weigh such pondered inputs, when trusted counterparts and senior administrators at the top levels of government possess the wherewithal to ensure and to conduct the needed oversight, and when democratic governments know well which way to move and where that direction will take them.[6]

The study of the Greek classics informs us of the importance that the ancient Greeks accorded to the Oracle of Delphi. However, it also teaches that it was left to governments to interpret the riddles they received from the Oracle. It was one such decision, based on an interpretation of Delphic advice, that led the Athenian fleet to Salamis, prompting the famous battle that turned the tide of history. Put simply, for "good governance" the *capacity to govern* (Dror 2001) must be developed in each country and according to the particular needs and interests of that country.[7]

Democratic Governance: What is Needed?

Potential for good governance begins with this capacity. In these uncertain times (compare Drucker's *Age of Discontinuity* 1968), with "winds of change" frequently changing direction, most citizens experience the need to invest their faith in government and, knowing that their government is in control but functions under the law, to look to the future with confidence. This surely represents a critical dimension of public trust[8] and democratic governance, something that has been fading in all too many countries, developed or developing. Rebuilding public trust where it has waned (Friedman 2009) must start by restoring capacity to steer the course of change and lead the process of government in accountable, transparent and participative ways—in ways that pay respect to the rule of law and virtue rationality along with the much-lauded instrumental management values of efficiency and effectiveness.

Duplicitous government practices and covert operations violate the spirit of justice. Soon the truth seeps through the cracks, causing a lot of embarrassment but also sharp controversy, undermining public trust. This serves to bring to light some deeply ingrained assumptions and clashing belief systems about the nature, processes and purposes of government, as well as what we like to call sound democratic governance—the subject of this article. Predictably this happened when the US government announced that it proposed to release the memoranda detailing the "brutal interrogation techniques used by the Central Intelligence Agency" over a number of years. It was revealed that "waterboarding" had, in fact, been used 266 times on two suspects, with questionable outcomes in terms not merely of ethics but also, in retrospect, of effectiveness in goal attainment (New York Times 2009a, 2009b, 2010b).

It was further revealed that medical professionals and lawyers in government service had lent a hand to these practices. The legal, constitutional and ethical ramifications are manifestly complex. So far they have been addressed from sharply contrasting perspectives. On the political level, the argument put forward in defense of these past practices has been deceptively simple. Euphemistically called "enhanced interrogation techniques," Vice-President Cheney declared that these techniques worked—they had yielded information, *ergo* they were justified (Harwood 2009; Blow 2009). All other considerations were discounted as superfluous or even as tendentious by neo-conservative advocates of the Bush Administration. A sharply contrasting perspective was offered by Krugman (2009): "It's hard not to be cynical when some of the people who should have spoken out against what was happening, but didn't, now declare that we should forget the whole era – for the sake of the country, of course."

Related to this issue, the part allegedly played by medical practitioners in the interrogation of suspects raises important questions regarding the role of professionals in government. The Hippocratic Oath enjoins all medical doctors to apply their knowledge and skills to beneficent purposes only; above all, "to do no harm." In laudably putting to practice transparency and accountability, which form a core component of democratic governance, the International Committee of the Red Cross (ICRC) and now the US government have laid bare information and drawn attention to matters that will remain before us for a long time to come. They have confronted physicians with critical dilemmas.

Mutatis mutandis, however, analogous considerations apply to government lawyers who used their expertise in ways that violated professional propriety or led to the disregard of constitutional law and international treaty obligations (New York Times 2009b).

Three lawyers in the service of the Bush Administration, who signed the relevant memos on interrogation techniques and actively participated in the drafting of those memos, are the subject of a report by the US Justice Department's Ethics Office. Manifestly, views on the merits and legality of those techniques never really amounted to a national consensus. To their credit, dissident voices have insistently been raised. Thus, one well-qualified critic highlighted the need for review of decisions on such practices from a range of varied perspectives, comparative experience, and historical depth (Zelikow 2009). The furtive, covert ways in which these dubious practices (e.g., "extraordinary rendition") have been pursued might well be said to imply a silent admission of guilt. They further indicate that, in these days of globalization, global responses are necessary. In light of World War II, since Nuremberg and later with the sequel of apartheid, the world has been sensitized to "administrative evil." We are all too well aware of the perils of blind loyalty and the dangers of boundless obedience to orders from "higher authority" (Arendt 1963; Adams & Balfour 2005: 114-138; Argyriades 2006: 155-168; Adams & Balfour 2009).

It is not enough for one government or several governments to take a stand, however laudable that may be. Professional associations of lawyers, public servants and medical doctors worldwide, as well as civil society and international agencies like the United Nations and the UNDP but also the IIAS, ought to pronounce themselves on the ethics of such practices. The proper role of professionals cannot be very different in North or South America from Europe, Asia, and Africa. On practices made possible only through the acquiescence of several administrations in many different countries, we need international agencies, in cooperation with governments and professional associations, to take a common stand. Specifically, we need them to explore, develop, and issue such guidelines as will make the spread and repetition of these evil practices considerably more difficult, if not altogether impossible, in the future.

In a totally different context, European public opinion during the past two years has been treated to the spectacle of scandals involving parliamentarians and the institutions of government in many different countries. The British "Mother of Parliaments" scandal was a leading case (Burns 2009; Johnston 2009; Allen 2010: 105-123). Sadly, scandals in one country have been quickly over-shadowed by the incidence of graft, embezzlement and kickbacks involving senior ministers in others. The gravity of such scandals, magnified by the crisis and the hardship it has caused to masses of good citizens, has made it clear to all that they are not happenchance but rather manifestations of a systemic problem (Gourevitch 2009). Like the repeated accidents taking place at a busy intersection, they definitely point to grave systemic flaws in structure and culture that are in urgent need of attention and repair. Manifestly more is involved in democratic governance and public service ethics than efficiency and effectiveness. Even "best" management practices cannot, in the final analysis, be considered to represent the "be all and end all" of sound governance—of democratic governance practice, at any rate.[9]

It would not matter much if what we have described were random and transient phenomena in a secluded corner or remote part of our planet. It matters to the world and to public service professionals precisely on account of *where* they came to light and *how* such an ideology, mindset, and management culture could spread and win acceptance throughout "the global village" in this short period of time. The message deceptively depended on reductionism (on which, see Dwivedi et al. 2007: 121), presenting itself in effect as a self-evident truth and as the only way to gains in cost-effectiveness or to overcoming problems of scale and complexity in government. In spite of signal failings, as well as spectacular failures, its meteoric rise remained uninterrupted for quite a while. Only the latest crisis belatedly exposed its many flaws, to which its various "products" have been prone—the Madoffs of finance or individual lawyers who "served" with consummate zeal; put simply, they did for governments precisely as they were told.

Restoring public trust in the institutions of government—much like rebuilding confidence in market institutions—requires multi-faceted efforts. It starts with ethical leadership as a true mark of good governance. This comes in different types (integrative, transformational, as well as entrepreneurial, cognitive and administrative) but its distinctive feature is that it sets examples. Of course, we mean examples of dedication to service, civility, professionalism, integrity and commitment to the advancement of the long-term general interest. Such exemplary conduct is needed to transform the public space. It is leadership in government which builds trust and the sense of security that citizens demand and that makes the economy grow (Fraser-Moleketi 2005; Kauzya 2009). Experience in East Asia corroborates the view that governments that lead are also best positioned to shore up public trust. In the diversified multi-cultural societies in which most of us live, one facet of good governance, for which we look to government but also civil society, is managing diversity with tolerance and harmony, thus broadening consensus on major issues of policy, reducing the level of tension, and bridging the divides that separate communities and segments of society. Good diversity management, building consensus and promoting harmony represent the sine qua nons in the village that the earth has become. No country can be an island, and governments, accordingly, must learn to cooperate in global and regional governance. To do so, they must balance domestic responsibilities with international duties and obligations.

Thinking of the "global village," democratic governance means a government that looks both *inward* to the citizenry and *outward* to the world. It cannot be denied that many governments and public servants are not too well prepared for these responsibilities (Slaughter 2009). Knowledge of other countries and of the global issues to which the world must turn is often less than adequate. The deep financial crisis that has engulfed the world has brought home many challenges that governments must face, though they may seem very distant to most. Take climate change, for instance, whose origins may lie in one part of the world but whose ramifications will touch us all. Somehow, as we equip our governments with knowledge, information and technical skills, we also need to instill an understanding of phenomena and events which now are truly global and must be fully addressed in all their enormous complexity.

Capacity development represents a global challenge because the need is global. In shrinking Planet Earth, where governments and peoples are closely interdependent, capacity deficiencies and failures in some countries soon become the problems of others. Not only climate change but also persistent absolute poverty, corruption, inequality, and the economic crisis have made abundantly clear that challenges are common. Accordingly, responses must also be shared and closely coordinated. Reaching the needed threshold of capacity development and competence in government can no longer be regarded as optional or "nice" but as a pre-condition to effective participation in the daily life and work of the international community. It is a basic requisite of democratic governance, but also of cooperation among the member states of the United Nations. It may be worth recalling that our forerunners in governance including, incidentally, the founders of the IIAS, expected as much of reforms in both the late 19th and early 20th centuries. In our days, critical choice capacity and a public service ethos represent two clear priorities. They condition the success of democratic governance, nationally or internationally.[10]

Considering the South African Experience and the Building of Trust in Government

Both authors of this article have combined careers in their home countries with work for the UN, the national with the international. We conclude by focusing on the South African case. In South Africa, the governance transition process from the apartheid regime started with welfare and development public service reform. It meant dabbling with the tasks better known as democracy and development with institution-building, but also being involved in bilateral assistance that involved countries like the Democratic Republic of Congo and Burundi. We hardly need to stress how challenging and complex the times were in those days, how intricate the problems. In the balance stood not only the success of an experiment never previously put to the test but also peaceful coexistence under the rule of law and democracy, indeed the very future of the Republic itself.

To accomplish our objectives we chose the path of *governance with government*—the democratic path of consultation with all the people concerned. Our goal was to promote a better life for everyone. We called it *Batho Pele* (which means "People First"). We invested in people and, accordingly, built partnerships among between elected leaders, stakeholders' representatives and competent professionals. We worked with these professionals—our public servants—enabling them to advise us; help us steer the reform process, often through treacherous waters; and call us back to reality whenever we strayed. Complex problems that the crisis and the meltdown of markets have carried in their trail in the recent period substantially part ways with those that South Africa faced during the 1990s. However, there are commonalities that are well worth exploring. As in the past, these challenges are likely to confront us during the coming years. They call for methods, strategies, tested approaches, and values that skirt the many perils that stand in the way of success. Of course these are none other than those of moderation, cooperation, consultation and compromise—the very structures, processes and attitudes of mind of an accountable government committed to democracy and democratic governance.

In crisis situations, the temptation to veer to extremes and listen to the sirens of populist demagoguery is all too real to ignore. So are the perils arising from "going it alone" on the mistaken theory that "beggaring your neighbor" will somehow save your skin. It has been rightly argued that the future, the poor, and the children are those without a voice. At the 53rd session of the UN Commission on the Status of Women in New York in March 2009, there were many who feared an attempt to roll back the gains that took decades to accomplish. We must guard against the possible temptation to trample on the rights of vulnerable groups, the voiceless and minorities, rights that have taken so long to be recognized. No crisis—not even the GFC—should provide us with excuses to ignore or to forget some "inconvenient truths," truths the world would overlook at its peril (Gore 2006).

A crisis—any crisis, in any part of the world—calls for leadership and innovation. It demands that we pay heed to the need for solid structures as well as for a competent government and public administration, a system that listens and responds. This underlines the urgency of human resources development. We must arrest the erosion that has become endemic in all too many countries, affecting public services and public goods. We must combat corruption that paralyzes government, produces disaffection, and sows the seeds of unrest. Last but not least, we must create conditions that favor the rebirth of probity and professionalism in all of public life. In terms of salient trends over the past decades, we might be inclined to say that attaining these objectives calls for a paradigm shift. A broader perspective, however, one with greater historical depth, offers a different lesson. It demonstrates the perils that crises of this magnitude may carry in their trail, but it also brings into focus opportunities for change. So it was with the Great Depression, World War II, and the post-war reconstruction that furnished the inspiration and motivation for public service reform, the Administrative State, the Marshall Plan in Europe, and the development programs—the UN development decades—with decolonization in other parts of the world. They prompted the beginnings of technical cooperation on a grand scale. They strengthened internationalism and the UN considerably. That is where our paths converge, as they come from different directions. And there our chance may lie, one that we must not miss.

To get there, we must see *sound government* as integral to *democratic governance*, and in no sense to be set apart from it or to be attacked, deprecated and belittled, as sadly has been the case over the past 30 years.

Notes

[1]Although not directly connected with the argument in this article, it needs to be noted that the term "governance" has become prominent also in a body of scholarly work that explores how policies are developed, decided on, and administered in our states, economies, and societies; emphasizes the networking character of the governance processes involved; and speculates that it may be possible to operate such governance systems without government at all. These social science exercises (e.g., Rosenau & Czempiel 1992; Rhodes 1996, 1997; Peters & Pierre 1998) are largely shorn of the economic values that infuse the discussion in this article but they lead ultimately to the same conclusion that is drawn here.

[2] Thus it has been observed that "The present world economic order is far more centralized, concentric and institutionalized at the top than it has ever been" (Dwivedi et al. 2007: 59).

[3] Neologism is not found in the 1978 impression of the Oxford Dictionary. The vast scale of outsourcing, in the US especially, and the resulting perils are explored in great detail in Stanger 2009. Along similar lines, the *New York Times* draws the striking conclusion that "most fundamental is that the government

cannot – or will not – keep a legal handle on its freelance gunmen. A nation of laws cannot go to war like that" (NewYork Times 2010a).

[4] Stanger notes: "One fact … speaks louder than most others: the size of the executive branch federal workforce in 2008 was the same as in 1963. The federal government had 1.9 m. civilian employees (including temporary workers but not the Post Office) in 1963 and the same number in 2006. But the federal budget was roughly $111.3 billion in 1963, versus $2.7 trillion in 2006. Adjusting for inflation, the differential is still staggering: $733.3 billion in 1963 vs. $2.7 trillion in 2006. That enormous gap is filled by contractors" (Stanger 2009: 17).

[5] The downsides of this pattern are greatly exacerbated by the lack of any rigor in the selection process for management consultants. Regrettably, consultants frequently "reinvent" themselves to suit the needs of the market. Furthermore, since they depend for appointment and renewal of their contracts on personal relationships rather than accreditation by well-known institutions, pleasing the client comes first and *"networking"* may take precedence over substantive knowledge.

[6] Discussing "the hollowing-out of government", Stanger (2009: 17) observes that there is "a human capital crisis of staggering proportions … For starters, there simply are not enough warm bodies in government service to man the oversight positions."

[7] Explored in a remarkable study, *The Capacity to Govern: A Report to the Club of Rome,* by Yehezkel Dror, Emeritus Professor at the Hebrew University of Jerusalem, with reference to Plato's seminal work: not the "Republic" but the "Statesman" *(Politikos)* (Dror 2001).

[8] The well-known US publicist and author Thomas Friedman (2009) drew this alarming conclusion from the ongoing deep crisis afflicting the US, as well as much of the world:

> We're going to have to get used to a loss of trust. All those rock-solid people and institutions that we trusted with our money, our pensions and our kids' piggybank savings – like Citigroup, Merrill Lynch, Bank of America – do not seem trustworthy anymore. Never before in my adult life have I looked around at every bank in my town and said, "I'm not sure I wouldn't prefer to put my paycheck in a mattress."
>
> The Bernard Madoff scandal, of course, has only reinforced that loss of trust. His degree of betrayal – his alleged willingness to embezzle the life savings of people whom he had known his whole life – is so coldhearted that it charts new territory in human behavior. He's on his way to becoming an adjective. Money managers are already being asked to prove to prospective new clients that their internal safeguards are "Madoff proof".

[9] Writing of "South Asian Administrative Systems," Dwivedi (2009: 143) observes that "Corruption has emerged as arguably the greatest threat to democracy and development." See also "Mr. Karzai's Promises" in the New York Times,(2010b).

[10] As David Brooks (2009) remarks, in our days most challenges and crises, from climate change and banking to the swine flu epidemic, take on a global character. The need for global governance, and what that might entail in terms of capacity-building, institutional reinforcement, requisite structures, culture and human resources development, has been the central theme of two recent publications of the IIAS. Both are featured in this article: Fraser-Moleketi 2005 and Pichardo-Pagaza & Argyriades 2009.

References

Adams, Guy B & Balfour, Danny L 2005. "Public Service Ethics and Administrative Evil: Prospects and Problems", in Frederickson, HG and Ghere, RK (eds), *Ethics in Public Management*, New York: ME Sharpe.

Adams, Guy B & Balfour, Danny L 2009. *Unmasking Administrative Evil*, Armonk, New York: ME Sharpe.

Allen, N 2010. “Keeping MPs Honest: Ethics Reforms in the British House of Commons”, *Public Integrity* (a Journal of the American Society of Public Administration), 12(2): 105-123.

Arendt, H 1963. *Eichmann in Jerusalem: a Report on the Banality of Evil*, New York: Viking Press.

Argyriades, Demetrios 2006. “Good Governance, Professionalism, Ethics and Responsibility”, *International Review of Administrative Sciences*, 72(2): 155-170.

Argyriades, Demetrios & Dwivedi, OP 2009. “Beyond Efficiency and Effectiveness”, in Pichardo-Pagaza, Ignacio & Argyriades, Demetrios (eds), *Winning the Needed Change: Saving our Planet Earth*, Amsterdam: IOS Press.

Blech, Benjamin 2008. On the “Madoff Scandal”, *New York Times,* 23 December.

Blow, CM 2009. “Chastise Cheney”, *New York Times,* 16 May, Op-Ed.

Brooks, David 2009. In *New York Times,* 28 April, Op-Ed.

Burns, JF 2009. “Beneath the Scandal: Deeper Furies”, *New York Times,* 24 May.

Caiden, Naomi 2010. “Challenges Confronting Public Budgeting: Retrospectives/ Prospectives from Allen Schick”, *Public Administration Review,* 70(2): 203-210.

Clinton, William 2010. “What We Learned in Oklahoma City”, *New York Times,* 19 April.

De Parle, J 2009. “The ‘W’ Word Re-Engaged”, *New York Times*, Week in Review, 8 February.

Dror, Yehezkel 2001. *The Capacity to Govern: A Report to the Club of Rome,* London: Frank Cass.

Drucker, Peter 1968. *The Age of Discontinuity: Guidelines to Our Changing Society*, New York: Harper & Row.

Drum, K 2010. “Capital City”, *Mother Jones,* February: 37-45, 78-79.

Dwivedi, OP 2009. “South Asian Administrative Systems”, in Pichardo-Pagaza, Ignacio & Argyriades, Demetrios (eds), *Winning the Needed Change: Saving Our Planet Earth*, Amsterdam: IOS Press.

Dwivedi, OP, Khator, Renu & Nef, Jorge 2007. *Managing Development in a Global Context,* New York: Palgrave Macmillan.

Economist 2009. A 14-page Special Report, 4-10 April.

Financial Times 2009. “For a benign interpretation of ‘exceptionalism’”, 7 April.

Fraser-Moleketi, Geraldine (ed) 2005. *The World We Could Win: Administering Global Governance*, Amsterdam: IOS Press.

Frederickson, H George 2010. *Social Equity and Public Administration: Origins, Development and Applications,* Armonk, NY: ME Sharpe.

Friedman, Thomas 2009. “Elvis Has Left the Mountain”, *New York Times,* 1 February.

Gore, Al 2006. *An Inconvenient Truth: the Planetary Emergency of Global Warming and What We Can Do About It,* New York: Rodale.

Gourevitch, P 2009. “The Abu Ghraib We Cannot See”, *New York Times,* 24 May.

Harwood, J 2009. “The Visible Man”, *New York Times*, 26 April.

Heady, Ferrel 2001. “Principles for 2001 and Beyond”, *Public Administration Review*, 61(4): 391.

Hill, Steven 2010. *Europe’s Promise: Why the European Way is the Best Hope in an Insecure Age,* Berkeley: University of California Press.

Hughes, OE 1998. *Public Management and Administration: An Introduction*, 2nd ed, New York: St Martin’s Press.

International Institute of Administrative Sciences 2002. *Governance and Public Administration in the 21st Century: New Trends and New Techniques,* Proceedings of the XXVth International Congress of Administrative Sciences, Athens, July 2001.

Jain, RB 2007. "The State of the Study of Comparative Public Administration in India", in Argyriades, Demetrios, Dwivedi, OP & Jabbra, Joseph G (eds), *Public Administration in Transition: Essays in Honor of G. E. Caiden*, London: Vallentine Mitchell: 64-90.

Kamensky, JM 1996. "Role of the Reinventing the Government Movement in Federal Government Reform", *Public Administration Review,* 56(3): 251-252.

Kauzya, JM 2009. "Leadership Capacity Development Perspectives in Africa", in Pichardo–Pagaza, Ignacio & Argyriades, Demetrios (eds), *Winning the Needed Change: Saving Our Planet Earth,* Amsterdam: IOS Press: 93-111.

Krugman, Paul 2008. "Barrack Be Good", *New York Times,* 26 December.

Krugman, Paul 2009. "Reclaiming America's Soul", *New York Times*, 23 April.

Levine C & Rosen, B 1991. "The Federal Government in the Year 2001: Administrative Legacies of the Reagan Years", *Public Administration Review*; 50(4): 411-419.

Newland, C 2007. "Accountability for Responsible American Governance in Today's Facilitative State/Garrison State Era", in Argyriades, Demetrios, Dwivedi, OP & Jabbra, Joseph G (eds), *Public Administration in Transition: Essays in Honor of G.E. Caiden,* London: Vallentine Mitchell: 24-46.

New York Times 2009a. 21 April: A18; 22 April: A1 & A16; 6 May: A1. 20.

New York Times 2009b. "The Torture Debate", 7 May.

New York Times 2010a. "Privatized War and its Price", 11 January.

New York Times 2010b. "Mr. Karzai's Promises", 26 August.

New York Times 2010c. "The Legacy of Torture", 27 August.

Obama, Barrack 2009a. "Inaugural Address", *New York Times*, 20 January.

Obama, Barrack 2009b. Speech at Lincoln Dinner, 1 February.

Peters, B Guy & Pierre, John 1998. "Governance Without Government: Rethinking Public Administration", *Journal of Public Administration Research and Theory,* 8(2): 223-243.

Pichardo-Pagaza, Ignacio & Argyriades, Demetrios 2009. *Winning the Needed Change: Saving our Planet Earth*, Amsterdam: IOS Press

Pollitt, Christopher 2001. "Convergence: The Useful Myth?", *Public Administration,* 79(4): 942-943

Pop-Eleches, Grigore 2009. *From Economic Crisis to Reform: IMF Programs in Latin America and Eastern Europe*, Princeton: Princeton University Press.

Rhodes, RAW 1994. "The Hollowing Out of the State", *Political Quarterly,* 65(2): 138-151.

Rhodes, RAW 1996. "The New Governance: Governing Without Government", *Political Studies,* 44(4): 652-667.

Rhodes, RAW 1997. *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability,* Buckingham: Open University Press.

Rosenau, James N & Czempiel, Ernst-Otto 1992. *Governance Without Government: Order and Change in World Politics,* Cambridge: Cambridge University Press.

Slaughter, Anne-Marie 2000. "Building Global Democracy", *Chicago Journal of International Law,* 1(2): 223-229.

Sommermann, KP 2001. “The Rule of Law and Public Administration in a Global Setting”, paper presented at the XXVth International Congress of Administrative Sciences, Athens, July.

Stanger, Allison 2009. *One Nation Under Contract: the Outsourcing of American Power and the Future of Foreign Policy*, New Haven, CT: Yale University Press.

Stiglitz, Joseph E 2002. *Globalization and its Discontents*, London: Penguin Books.

Stiglitz, Joseph E 2010. “Moral Bankruptcy”, *Mother Jones*, February: 29-31.

United Nations 1997. “Meeting of Experts”, E/1997/86.

Whitehead, Laurence 2009. “Democratization and Social Inequalities”, *Development & Transition*, 12: 5-7.

World Bank 1994. *Governance: The World Bank Experience*, Washington, DC: World Bank Publications.

World Bank 1997. *The State in a Changing World*, Washington, DC: World Bank Publications.

Zelikow, P 2009. “A Dubious CIA Shortcut”, *New York Times*, 24 April.

Biosketch

Geraldine Fraser-Moleketi has been Director, Democratic Governance Practice, in UNDP’s Bureau of Development Policy since January 2009. A member of the South African Parliament from 1994 to 2008, she was Minister for Public Service and Administration from 1999 until taking up her UNDP position. She was also a member of the National Executive Committee of the (South) African National Congress from 1988 to 2007.

Demetrios Argyriades is Professor of Public Administration and Rapporteur of Working Groups on Global Governance, International Institute of Administrative Sciences. He has been an international public servant since 1967, working particularly for the OECD and the UN Secretariat, and consulting for many other international agencies. He has taught at New York University, City University of New York and other universities in the USA and elsewhere, and has written extensively on issues of public administration and development.

A fitting end to this paper is John McConnell's statement,

> Let every individual and institution now think and act as a responsible trustee of Earth, seeking choices in ecology, economics and ethics that will provide a sustainable future, eliminate pollution, poverty and violence, awaken the wonder of life and foster peaceful progress in the human adventure. (John McConnell, founder of International Earth Day)

Conclusion

Human resource is the most vital component of a nation and, as a rule, its development should be given proper focus. It is also an undisputed fact that academic institutions play a critical role in developing the human resource of the country. However, the activities of academic institutions are seemingly detached from the goal of national leaders who are concerned with socio-economic and political reforms but who do not realize that this goal is achievable with quality human resource. Recognizing this reality, a shift from purely classroom instruction to the actualization of classroom theories has been instituted in the Master in Public Governance (MPG) graduate program. This is to bridge classroom theories with actual conditions and settings to improve the capabilities of students and to better equip them in handling the multi-faceted problems that hinder regional development. These include mitigation of climate change, reduction of poverty, and arresting environmental degradation, all of which threaten the attainment of green growth. The WVSU's response to these challenges, through its MPG students instituting environment education through a more creative and experiential approach, has proven effective. Through the auspices of the MPG class, three island *barangay* were adopted by the University. In these *barangay*, instructional materials on environment education were given to provide early exposure and training to children in identifying environmental and other related issues. Complementing environment education is the provision of skills to increase livelihood opportunities. Advocacy for the environment and good governance was done to advance the call to protect the environment, promote good governance, and ultimately achieve green growth in this sector. Various forums on electoral reforms, climate change, poverty alleviation, and empowerment of *barangay* officials were held as part of the advocacy campaign. A mass-based approach by way of a people-university partnership was effected to minimize poverty-related problems among farmers and fisherfolk engaged in destructive farming and fishing practices, respectively. The participation of stakeholders to assure green growth was sought through linkaging and networking. Thus, these innovative approaches have led to the development of human resources—not just of students but also of those people whom they (the students) have come into contact with. It was proven that achieving a successful development of human resource in the grassroots is being a responsible and capable steward of the environment.

References

Binay, JC 2009. "Beyond the Advocacy on Climate Change", *Times Journal*.4 June.

Carandang, A, Pulhin, J & Peras, RJ 2004. Philippines, Minutes of Open Session CIFOR.9 August. Retrieved on 20 July 2008 from http://www/cifor.cgiar.org/rehab/_ref/study/os_phil.htm.

Mixed Enterprise and the Global Financial Crisis: Relevance for the 21st Century of a 20th Century Institution*

ROGER WETTENHALL, Visiting Professor of Public Administration
ANZSOG Institute of Governance
University of Canberra

Abstract

This article draws on the experience of two Australian mixed (joint public-private ownership) enteprises to review the role of such enterprises in the economic development of many countries. It notes that such enterprises have been largely neglected in traditional public administration scholarship, and speculates on the relevance of this experience in the context of the massive government interventions that have occurred in the economies of many countries as part of the response to the GFC of 2008-2009.

Introduction: The Global Financial Crisis and Its Effects

THE GLOBAL FINANCIAL crisis of 2008 and 2009 (hereafter GFC) has had major effects on governance relationships between the public and private sectors. By mid-2009 there was massive evidence around the world of governments lending money to banks and big industrial firms and actually buying into many of these hitherto fully privately-owned enterprises. In the process, some banks became publicly-owned, raising commentary (and some scaremongering) about a drift back to the era of nationalization that followed the end of World War II and preceded the equally ideological era of privatization that arrived in the 1980s and '90s. However deeply it would bite—there was some argument by September and October 2009 that its effects might not be as devastating as had at first been feared—there can be no doubt that the GFC had seriously challenged assumptions about the proper relationship between the public and private sectors that had become widely accepted over the previous generation.

In earlier commentary in Australia, I noted some of the big questions governments had to work out in a frantically short space of time as they stumbled through the necessary decision making in later 2008 and early 2009 (Wettenhall 2008a). In the case of the bank interventions, which got most of the early attention, the questions were:

- Should governments appoint directors to the boards of these banks?
- Should they have direct involvement in corporate decision making?
- What conditions (if any) should attach to their share acquisitions?

*The original version of this paper was presented at the 22nd EROPA General Assembly and Conference, Seoul, South Korea, October 2009. I acknowledge the valuable assistance given me in its preparation by Sue Berger, Researcher in the Faculty of Business and Government, University of Canberra. Short reports on the two Australian case studies that inform the conclusions to the article come as an appendix.

- Should their shareholdings attract sharing of corporate profits and losses on a pro-rata basis?
- Should "sunset" time limits be put in place for these arrangements?

And it was not only banks that had to be rescued. Consider this mid-2009 report from the US on General Motors, the automobile industry mammoth:

> Insiders in Washington have a new name these days for weakened US car giant GM: Government Motors. It is spoken sometimes with irony, sometimes with dread, suggested by the deepest government industrial intervention in a half-century. The Obama administration is taking the wheel of General Motors with a major ownership stake and all that goes with that for the US taxpayer (Kuhnhenn & Thomas 2009).

In their rushed policy-making, governments were grappling with, and making impacts on, issues which have remained huge in the development of states, economies, and societies over centuries: ownership and regulation. On ownership, where is it most appropriate to locate responsibility for a range of functions, many of them essential, needing to be well performed if our states, economies, and societies are to thrive? And given that outright nationalization that pushes all into state organizations will rarely happen, ownership choices made will leave a huge residue of situations in which intersectoral (public-private) connections need to be well designed and moderated. Here emerges the vast field of regulation. How do we do this, and do we do it well?

This article is in part a reminder that the world had massive relevant experience in an earlier period. But, in offering this reminder, it takes a particular look at a public-private mixing arrangement that has a long history, that seems relevant to today's big issues, but that is so often forgotten in discussions of modern governance.

Enterprises in Mixed (Public-Private) Ownership

Importance of Study

For a great variety of reasons, governments around the world have entered into sharing arrangements with the private sector to establish and operate commercial enterprises, and recalling this experience is an important exercise in administrative history. But it also has a more immediate and practical purpose, for inquiring into whether there are significant lessons—good or bad—in that past experience may help today's policymakers as they grapple with the design and monitoring of the interventions they have been making in the context of the GFC.

Accordingly this article offers a reminder of the important role of "mixed enterprise" (hereafter ME) in the administrative experience of many countries. It is informed particularly by recently-researched case studies of two such Australian enterprises, summarized in the appendix. Of course a single report such as this can merely scratch the surface: There is a strong case for this line of inquiry to be extended to embrace many of the other examples of public-private mixing in jointly-owned enterprises around the world.

In doing so, moreover, we might get a better understanding of the somewhat confusing phenomenon of the "public-private partnership" (or PPP).

Better Public-Private Partnerships?

In the decade or so leading up to the onset of the GFC, this topic has been greatly exercising the minds of the world's politicians and administrators, the consultants who advise them, and the researchers and analysts who follow their work. At the beginning of this avalanche of interest in the early 1990s, the device of the PPP seemed to hold promise of providing a middle ground between the older nationalizing and privatizing movements. It purported to show how the public and private sectors could move forward together for the benefit of societies and economies, and so taking the sting out of the political animosities that came with those movements.

It is, however, now notorious that the idea of the PPP is "nebulous" and "contested" (Weihe 2006), and there is little agreement about definitions. Argument follows that many of today's so-called PPPs are not really partnerships at all—mixes certainly, but lacking the degree of trust and general common ground among the "partners" that a partnership requires.[1]

In the discussions about PPPs to date, surprisingly little connection has been drawn with the ME field. But it seems likely that such enterprise may be one of the best forms of PPP the world has known—best in the sense of being most genuinely partnership-like. These arrangements are therefore worth studying for a further reason—as a way of advancing understanding of the PPP phenomenon.

The 20th Century Institution Considered

At a time when there was much interest in fully state-owned enterprises, US political scientist Lloyd Musolf (1972: xi) noted that "mixed enterprise" had drawn scant attention in writings about government and industry, and himself researched the subject from a developmental perspective, drawing examples from both developed and developing countries. A decade later, citing leading examples such as British Petroleum, Canada Development Corporation, Volkswagen, the Japanese Electric Power Development Co., and Japan Airlines, and preferring the term "joint enterprise," Canadian policy analysts Eckel and Vining (1982: 211) argued that the "obvious advantage of joint ownership over total government ownership is the increased pressure for financial or commercial viability."

Around this time the subject attracted significant Canadian research. After careful study it seemed the advantages were not so clear-cut. Anthony Boardman and his colleagues explored the extent of ME around the world, calling it a "pervasive phenomenon", but noting also that it was often not sufficiently distinguished from mainline public enterprise (Boardman et al 1986: 221). A comparison of the performance of fully state-owned, mixed, and fully private enterprises led to the conclusion that some performance differences favorable to the MEs may be detected in competitive environments, but also that the ME is essentially a "problematic" form with "[s]ome patterns of joint ownership appear[ing] to generate conflict between public and private shareholders, leading to a high degree of managerial 'cognitive dissonance'." The speculation was that managerial autonomy is compromised in the ME form (Boardman et al 1986: 235-241; Boardman & Vining 1989: 26).

In the standard form of public enterprise that developed as public sectors built up through the earlier 20th century and through the big nationalizing period of the post-World War II years, public ownership was total and the managerial instrument commonly used was the "public corporation" created by and operating under its own distinctive statute.[2] For the managerial instrument in the mixes, however, the company form was a necessity because it provided for divisible shareholdings, with the public equity-private equity balance often (though not invariably) conferring a bare majority of shares on the state.[3]

Britain had significant experience. Daintith (1970), who saw ME as an alternative method of government participation in industry (i.e., alternative to full public ownership), contributed a chapter to an important international symposium of the pre-privatization period. Soon afterwards, senior British Labour figures, becoming disenchanted with the fully nationalized industries, were seeing virtue in the Italian IRI shareholding arrangement. Established as part of a vast state rescue operation in the early 1930s depression, IRI and a few other large state corporations held shares along with private partners in a mass of Italian financial, transport, communications, electricity, and production companies (Holland 1972).[4] The National Enterprise Board formed in Britain in 1975 and involved in the rescue of Rolls-Royce and British Leyland owed quite a bit to this Italian model (Prosser 1980: ch.3). Later, under Thatcher, more mixes appeared but they were mostly "half-way houses" on the way to full privatization as shares in the nationalized industry corporations were sold off in tranches (Steel 1984).

Academic lawyer Prosser (1986: 31) thought the ME arrangement had been ignored by British Labour in legislating for the management of the nationalized industries after 1945 because of the closer—and unacceptable to it—connection with private profit. Thinking forward prophetically to possible re-nationalization after the Thatcher years, he also saw the purchasing of shares as likely to "leave unresolved all the inadequacies of accountability" that he believed had been associated in the past both with the fully-owned public corporation and with government shareholdings in MEs (Prosser 1986: 232).

The classic British case is that of Anglo-Persian Oil Co., which became Anglo-Iranian and then (in 1954) British Petroleum (or BP). In this case the government signed a "convention" with the infant Anglo-Persian Oil Co. in 1914 in order to secure a regular supply of oil for the Royal Navy. Government subscribed capital, acquired shares granting 51 percent of ownership, and gained the right to appoint two directors to the board with power to veto any resolution, subject to appeal to the government (Davies 1938: 422-423). The arrangement ended when, as part of her privatizing mission, Thatcher sold off the British government shareholding—though she was frustrated in discovering that she was unable to prevent other *governments* from acquiring some of those shares. In a story that is too complicated to be spelt out here, the investment arm of the *Kuwaiti* government now became a significant shareholder.[5]

Through its roughly 65 years as a British ME, Anglo-Persian/Anglo-Iranian/BP's organizational life was rarely placid. The enterprise itself was often compromised by clashes between its commercial objectives and the foreign policy objectives of the part-owning government, which nonetheless recognized "the huge importance of Anglo-Iranian's earnings to the British Treasury and the overall British economy" (Yergin1991: 455). In such matters, the enterprise's alignment would more often have been with the private than the public partner. And there was rarely peace with the Persians/Iranians whose oil provided the enterprise's raison d'être but whose eventual nationalization of the relevant resources led to a fundamental change in its character.[6] In its earlier years this British ME became a partner in one of the Australian MEs whose experience this article has drawn on.

Anglo-Persian/Anglo-Iranian/BP had a significant precursor, the Suez Canal Co., in which the then British government bought the shareholding of the Khedive of Egypt in 1875 in order to obtain a strong voice in maintaining communications within the empire. That arrangement survived until Egyptian President Nasser "expropriated" (or nationalized) the canal in 1956 (Davies 1938: 421-422; Samuels 1968: 299). Another early British case was that of the Manchester Ship Canal, a partnership between a local government, as co-investor and seen as representative of the users, and a private company (Goodman 1951: 30).

There can be few countries that have not had some experience with these MEs. Indian "disinvestments" had similar organizational effects, with the government seeking to raise revenue and improve performance by selling part but not all of the equity in particular enterprises (Maheshwari 2001: 206-209). Vietnamese "equitization" broadly followed suit (Van Thiem & Van Thanh 1996: 6). With Singapore Airlines, the aim in disposing of some shares was to provide performance incentives for staff and attract capital for new aircraft purchases, but not significantly to weaken state control (Thynne & Ariff 1987). In the German car industry, the State of Lower Saxony held a substantial shareholding in the original Volkswagen enterprise, and we are told that, while that stake has reduced to one-fifth of the total today, the State retains a veto on strategic decisions in the company (AFP 2009). Through its sovereign wealth fund, the Persian Gulf State of Qatar has also bought into Volkswagen.[7]

Australian Case Studies: Recalling Older Forms, Older Experience

Neglect in Early Public Administration Studies

The most notable Australian cases are those of Commonwealth Oil Refineries Ltd (COR) and Amalgamated Wireless Australasia Ltd (AWA), both of which played important national roles in the earlier decades of the 20th century. The governance effects of these Australian MEs are only now receiving serious research attention so that we have not until very recently been adequately armed with information about their management systems that might be helpful to today's policy-makers.

When I first drew attention to the need for such research (Wettenhall 2008), I was rash enough to suggest that these enterprises settled down fairly smoothly after the partnership arrangements were established. I thought that the public and private directors thereafter combined harmoniously to ensure that they went about their tasks in a way that achieved their main targets, provided adequate revenues for their partners in return for their beginning investments, and kept their enterprises away from significant political controversy. On the fresh evidence now available to me, it is clear that this was a far-too-simple view, and I have wondered why I held it so firmly for so long.

What I see now is that, when I was receiving my public administration education in the 1960s and '70s, the standard scholarship dealt closely with (a) central public service systems and (b) conventional fully state-owned enterprises. There were occasional brief references to the existence of these Australian MEs (e.g., Bland 1945: 213; Tucker 1954; Kewley 1959: 104; Zines 1970: 241). Compared with (a) and (b), however, they received minimal attention. It was easy for students like me to assume there was nothing there worth studying or writing about, but I now see just how wrong that assumption was! In coming to understand how these older mixes operated, we can see the full flow of well-intentioned connections between public and private partners so often got complicated in operation by tensions over primary goals, by the ancillary interests of the partners getting in the way of harmony and trust, by the actions of non-partners threatening partnership activity, and by not-infrequently-expressed doubts about whether the partnership was worth preserving at all. So there were many challenges and problems, and it is useful now to consider what lessons, if any, this experience holds for the rash of new government interventions provoked by the GFC.

Away from the effects of the GFC, MEs continue to be established. Thus, in Australia an April 2009 decision of the Commonwealth government, reflecting world-wide IT communication pressures, is producing a vast new ME to construct and operate a super-fast national broadband network.[8] Any lessons are likely to have value in non-GFC as well as GFC contexts.

Criteria for Success? Symmetrical or Asymmetrical?[9]

It is useful to consider recent work on PPPs. They have been described and analyzed in a variety of ways, with various suggested categorizations. One scheme that has seemed particularly helpful in my exploration of the two Australian MEs featured in this article has been that which distinguishes between "symmetrical" and "asymmetrical" inter-organizational partnerships, suggested by John Friend on the basis of earlier work on inter-organizational fields by John Stringer. In a symmetrical relationship, the parties come together in the shared organization with close agreement about the purposes to be served, a sense of pulling together in collegial spirit to achieve those purposes, and similar organizational "distance" between each party's home structure and the representative body created for the special purpose of the partnership. The parties will most likely have other functions that are not part of the shared organization, but the performance of those functions is kept at a distance so that they do not inhibit the close working towards the common goal. In the asymmetrical partnership, on the other hand, all the opposite attributes apply: In short, there is "variable organizational distance between the locus of each organisation's representation in the partnership and the locus of central organisational responsibility" (Friend 2006: 264-265; Springer 1967).

Many analyses of the mass of linking arrangements loosely described as PPPs insist that, for mutuality and trust to emerge among the partners, "concrete expression" must be given to the collaborative arrangement "through the creation of an organizational structure [such as] a partnership board or forum" (Lowndes & Skelcher 1998: 314).[10] It can be said immediately that a partnership of the COR or AWA type satisfies this test: In each case the ME board brings together representatives of the participating parties as directors linked by the common objective of serving the special purpose of the partnership. The big question is whether the board succeeds in this mission.

Conclusions from the Australian Cases

In the two cases studied, there are prior questions to be asked: How clearly was that common objective spelt out? And how firmly was it accepted by the parties? The answer probably is, fairly clearly and fairly firmly at the beginning but also that it was not deeply ingrained in the thinking of the partner organizations. They saw that there was some short-term benefit to be gained but, to the extent that they thought about it at all, they would mostly have had doubts about the long-term survival of the partnership. So, early in its history, there was a well-developed sense of pulling together, but as time went on it weakened, eventually becoming paper-thin as competing pressures (and other objectives) distracted the partners from that early goal.

In each case there was one central objective which united both partners at the beginning—the desire to establish, in the one case, an oil refinery in Australia and, in the other, a beam wireless service to link Australia and Britain together with a set of coastal radio stations. It can be said that, in each case, the partners brought sufficient resources and energies into the "unions" to ensure that these objectives were achieved with reasonable speed and efficiency. At this stage they were exhibiting symmetrical behavior, suggesting that, for these beginning purposes, the concentration of effort in an ME was a good arrangement that produced positive results. The difficulties arose from the circumstance that the partners could not focus *only* on achieving that objective, that there were so many others demanding their attention outside the partnership and soon intruding into the partnership itself.

In COR, the Commonwealth government wanted to pursue the search for indigenous oil, whereas the Anglo-Persian Oil Co. wanted the refinery always to focus on maximizing sales of Persian oil. Moreover both partners had huge, complex organizations to manage outside the partnership. For a government, that hardly needs saying; for the company, an ME itself, there were a multitude of interests in Britain, in Persia, and elsewhere, a tanker fleet to run, and so on. Looked at dispassionately, COR was really "small beer" for both of them.

In AWA, the private partner was essentially a consortium of interested shareholder groups and individuals led by a predecessor, Australian Wireless Co. It became the partnership itself when it attracted government finance, the agreements that went with it, government-appointed board directors, and so on. Early objectives were met, but it was soon clear that the government's mainly strategic interests did not sit well with the ambitions of the private shareholder group to become a major, commercialized player in all parts of the wireless industry. That group wanted large extensions into profitable manufacturing activity. The government soon tired of that side of the partnership's activity; the surprising feature was that it took so long to close it down.

In neither case could the interests of the partners that were not related to the partnership mission be kept apart from the running of the partnership. The distance factor (distance between the partner's core structure and the partnership organization) was confounded in the AWA case when the private company turned itself into the partnership. In terms of the symmetrical-asymmetrical dichotomy, these were highly asymmetrical partnerships once they moved away from their somewhat starry beginnings.

Can this finding help us in better understanding the needs of the new GFC-provoked public-private mixes? It may be helpful to regard oil refineries and beam wireless and coastal radio stations as part of a nation's infrastructure, and it is clear that there is an important infrastructure perspective that conditions much discussion about PPPs and government-business relations generally today. The most immediate GFC interventions have involved instead financial institutions like banks and manufacturing industries like automobile production, so that that perspective may not apply so closely. Moreover the GFC interventions have had a heavy rescue flavor about them, a flavor suggesting, whether wisely or not, that there will be a return to the pre-crisis situation as soon as possible. How the ME arrangement fits into this sort of circumstance is problematic.

What the COR and AWA experiences tell us is that, where the MEs have infrastructure-type missions, they need those partnership boards or forums separated from the home organizations of the partners, and a clearly stated and understood definition of mission (or objective) which allows them to proceed with a large measure of separation from the ongoing activities of the partners' home organizations. Beyond that, of course, they need the goodwill of the partners to support this arrangement and allow it to continue, but that is an informal property that is more likely to be forthcoming if the first two more formal conditions are satisfied. COR and AWA had the first but not the second, and the difficulties that emerged point to hazards that may often be felt in ME-type arrangements.

With infrastructure projects, establishment of the facility is a relatively short-term matter. As the construction phase melts into operation, maintenance, and so on, longer-term considerations come into play, and organizational designers need to consider whether different structures and conditions are then required. All the hesitations and difficulties experienced after AWA and COR had entered the second phase of their life cycles point to another significant need: that the initiating agreements should always contain a clear sunset clause. With COR the Commonwealth had an option to buy out its partner's interests after 15 years, but there was no obvious trigger for action and the option was not taken up. With a sunset clause the partnership agreement would automatically terminate unless the partners took positive action to extend it. In taking that action they would be forced to reconsider objectives and operational arrangements and rewrite them if they wished the partnership to continue.

I confess to some disappointment in this finding. I had hoped that a more positive outcome would come from this research, with useful lessons for the new system designers. I see it as a challenge now to stimulate more research across countries into other ME cases. Clearly they are not all pathological cases—Volkswagen has, for example, survived in this form for many decades. What is its story? Is it more symmetrical as partnerships go? How has that condition been achieved? There is valuable material there, in the written archives and the personal memories of people involved, and it would be a very useful service to administrative scholarship and to administrative practice alike to bring that experience and the experience of many other such MEs to the light of day.

Notwithstanding these deficits, the research reported here has added something to our knowledge of the PPP field. There can be no doubt that these MEs are PPPs and, notwithstanding that there were negatives as well as positives in these two cases, they are more partnership-like than many of the linking arrangements generally given that appellation today. I conclude by observing that another Australian case I included in my presentation (published as Wettenhall 2006) to the Brunei EROPA conference in 2005—that of the public-private multi-utility in the Australian Capital Territory known as ActewAGL—comes much closer to the conditions of partnership symmetry, and appears after almost a decade of operation to be functioning smoothly and with a fair measure of efficiency.

Notes

[1]I have argued thus in presentations at the 2005 (Hanoi) and 2006 (Brunei) EROPA conferences, now published as *ARPA* articles (Wettenhall 2005b, 2006). Elsewhere (e.g., 2003, 2005, 2008b) I have sought to summarize the various strands of this debate.

[2]More often called “government corporation” in the US, and “statutory corporation” in Australia.

[3]In a book that became a much-used guide for developing countries in the ‘60s and ‘70s, Hanson (1959: 351) thought that ME “provided the most obvious justification for the use of the company [form]” in public sector contexts; otherwise he preferred the public or statutory corporation.

[4]There is also recent Italian experience, as ME emerges as one of the forms of “externalization” being used in the reform of the Italian local government system. See, for example, Argento et al 2010.

[5]In the ME form it is of course possible for elements of one country’s public sector to take up shares in an enterprise essentially based in another. On cross-country public sector fluidity generally, see Wettenhall 1993.

[6]There is a large literature on the oil industry and its major components such as Anglo-Persian/Anglo-Iranian/BP. I have based this brief account largely on Yergin 1991, though Bailey 1979 is fascinating on how the partly British government-owned BP worked with the wholly private Shell to break the blockade run by the Royal Navy (of course, government-owned) in attempting to prevent oil supplies reaching the illegal Smith regime in the then Rhodesia in the 1970s.

[7]In describing these arrangements, there have been some fairly mechanistic and unhelpful constructs: In Taiwan, for example, any enterprise with more than 50 percent state shareholding (even 50.1 percent) is legally defined as public, and any below 50 percent (even 49.9 percent) as private (Pu 2007)—the essential “mix” character disappears in such definitions.

[8]Another recent Australian case is that of Securency International Pty Ltd, a joint venture between the public Reserve Bank and the private Innovia Films established in 1996. This public-private firm supplies to a dozen or more countries a range of products used in the printing of banknotes and other security documents (see <www.securency.com.au>). On the new national broadband network, see Conroy 2008, and Given 2008 and 2009.

[9]Symmetrical is defined as regular in form or arrangement of corresponding parts (from *The Macquarie Dictionary*).

[10]For discussion and further examples of this thinking, see Wettenhall 2008b: 129.

References

AFP 2009. "Crisis Drives Car Makers Together", *Canberra Times*, 8 May.

Argento, Daniela, Grossi, Guiseppi, Tagesson, Torbjörn & Collin, Sven-Olof 2010. "The Externalisation of Local Public Service Delivery: Experience in Italy and Sweden". *International Journal of Public Policy*, 5(1), pp.41-56.

Bailey, Martin 1979. *Oilgate: The Sanctions Scandal*, London: Coronet.

Bartos, Stephen 2006. *Against the Grain: The AWB Scandal and Why It Happened*, Sydney: UNSW Press.

Bland, FA 1945. *Planning the Modern State*, 2nd ed, Sydney: Angus and Robertson.

Boardman, Anthony, Ecklel, Catherine & Vining, Adrian 1986. "The Advantages and Disadvantages of Mixed Enterprises", in Negandhi, Anant R, Thomas, Howard & Rao, LK (eds), *Multinational Corporations and State-owned Enterprises: A New Challenge in International Relations*, , Greenwich, CT: JAI Press, pp. 221-244.

Boardman, Anthonyt E & Vining, Adrian R 1989. "Ownership and Performance in Competitive Environments: A Comparison of the Performance of Private, Mixed, and State-owned Enterprises", *Journal of Law and Economics*, 32(1), pp. 1-33.

Conroy, Stephen 2008. "Government Invites National Broadband Network Proposals", Minister for Broadband, Communications and the Digital Economy, 11 April media release.

Daintith, TC 1970. "The Mixed Enterprise in the United Kingdom", in Friedmann, W & Garner, JF (eds), *Government Enterprise: A Comparative Survey*, London: Stephens, pp. 53-78.

Davies, Ernest 1938. "Government Directors of Public Companies", *Political Quarterly*, 9(3), pp. 421-430.

Eckel, Catherine & Vining, Aidan 1982. "Towards a Positive Theory of Joint Enterprise", in Stanbury, WT & Thompson, Fred (eds), *Managing Public Enterprise*, New York: Praeger, pp. 209-222.

Friend, John 2006. "Partnership Meets Politics: Managing within the Maze", *International Journal of Public Sector Management*, 19(3), pp. 261-277.

Given, Jock 2008. "A 50/50 Proposition: Public Private Partnerships in Australian Communications", *Media International Australia incorporating Culture and Policy*, no.129, pp. 104-115.

Given, Jock 2009. "Fast Forward Back to the Future", *Canberra Times*, 9 April.

Goodman, Edward 1951. *Forms of Public Oownership and Control*, London: Christophers.

Hanson, AH 1959. *Public Enterprise and Economic Development*, London: Routledge and Kegan Paul.

Holland, Stuart (ed) 1972. *The State as Entrepreneur – New Directions for Public Enterprise: The IRI State Shareholding Formula,* London: Weidenfeld and Nicolson.

Kewley, TH 1959. "The statutory corporation", in Spann, RN (ed), *Public Administration in Australia.* Sydney: (NSW) Government Printer.

Kuhnhenn, Jim & Thomas, Ken 2009. "GM Skids Towards Bankruptcy", *The Canberra Times*, 29 May.

Lowndes, Vivien & Skelcher, Chris 1998. "The Dynamics of Multi-organizational Partnerships: An Analysis of Changing Modes of Governance", *Public Administration,* 76(2), pp. 313-333.

Maheshwari, SR 2001. "Privatization and Public Sector Reform in India", in Farazmand, Ali (ed), *Privatization or Public Enterprise Reform? International Case Studies with Implications for Public Management,* Westport, CT: Greenwood Press, pp. 201-215.

Musolf, Lloyd D 1972. *Mixed Enterprise: A Developmental Perspective,* Lexington, MA: Heath.

Prosser, Tony 1986. *Nationalised Industries and Public Control: Legal, Constitutional and Political Issues,* London: Gerald Duckworth.

Pu, Cheng-Chiu 2007. "Ownership and Management Issues in Taiwanese Public Enterprises", *Asia Pacific Journal of Public Administration,* 27(2), pp. 163-180.

Samuels, Alec 1968. "Government Participation in Private Industry", *Journal of Business Law,* (October), pp. 296-302.

Stringer, John 1967. "Operational Research for Multi-organisations", *Operational Research Quarterly,* 18(2), pp. 105-120.

Steel, David 1984. "Government and the New Hybrids", in Steel D & Heald, D (eds), *Privatizing Public Enterprises: Options and Dilemmas.* London: Royal Institute of Public Administration, pp. 101-112.

Thynne, Ian & Ariff, Mohamed 1987. "Singapore Airlines: A Study in the Management of Privatisation", in O Nuallain, Colm & Wettenhall, Roger (eds), *Public Enterprise: The Management Challenge*, Brussels: International Institute of Administrative Sciences, pp. 111-129.

Tucker, WH 1954. "Public Control of Statutory Corporations", *Public Administration (Sydney),* 13(1), pp. 19-24.

Van Tiem, Phan & Van Thanh, Nguyen 1996. "Problems and Prospects of State Enterprise Reform, 1996-2000", in Ng, Chee Yuen, Freeman, Nick J & Huynh, Frank H (eds), *State-owned Enterprise Reform in Vietnam: Lessons from Asia,* Singapore: Institute of Southeast Asian Studies, pp. 3-18.

Weihe, Guri 2006. "Public-private Partnerships: Addressing a Nebulous Concept", paper presented at the 10th International Research Symposium on Public Management, Glasgow, 10-12 April.

Wettenhall, Roger 1993. "The Globalization of Public Enterprises", *International Review of Administrative Sciences,* 59(3), pp. 387-408.

Wettenhall, Roger 2003. "The Rhetoric and Reality of Public-private Partnerships", *Public Organization Review,* 3(1), pp. 77-107.

Wettenhall, Roger 2005a. "The Public-private Interface: Surveying the History", in Hodge, Graeme & Greve, Carsten (eds), *The Challenge of Public-private Partnerships: Learning from International Experience,* Cheltenham: Edward Elgar, pp. 22-43.

Wettenhall, Roger 2005b. "Thinking Seriously about Public-private Partnerships as an MDG Tool", *Asian Review of Public Administration*, 17(1/2), pp. 66-80.

Wettenhall, Roger 2006. "Public-private Mixes and Partnerships: Some Australian Case Studies", *Asian Review of Public Administration*, 18(1/2), pp. 61-80.

Wettenhall, Roger 2008a. "'Economic Meltdown' and the Resurrection of Mixed Enterprise", *Public Administration Today*, 16, pp. 30-35.

Wettenhall, Roger 2008b. "Public-private Mixes and Partnerships: A Search for Understanding", *Asia Pacific Journal of Public Administration*, 30(2), pp. 119-138.

Yergin, Daniel 1991. *The Prize: The Epic Quest for Oil, Money and Power*, New York: Simon and Schuster.

Zines, Leslie 1970. "Federal Public Corporations in Australia", in Friedmann, W & Garner, JF (eds), *Government Enterprise: A Comparative Study*, London: Stevens, pp. 227-247.

Appendix

Case Studies of Two Australian Mixed Enterprises

Roger Wettenhall with Sue Berger
University of Canberra

Case Study One: Commonwealth Oil Refineries Ltd (COR)

The Partners

COR was created by agreement between the Australian Commonwealth government and the then Anglo-Persian Oil Co., itself a British mixed enterprise (ME), in 1920 with the general aim of establishing an Australian oil refining industry. However the motives of the two parties entering into the partnership agreement were never identical, and that circumstance would color the life of COR throughout its whole existence.

In common with many other countries, Australia entered the "oil age" during World War I with massive conversions to oil-fuelled machinery and the consequential need to obtain reliable sources of oil for naval vessels and so much else. There were numerous applications to mine for oil throughout Australia and Papua New Guinea, and many sources of "indigenous" oil (such as shale) were located. Issues of subsidization, investment, pricing, refining to make the oil suitable for wide consumption, and transport to markets were all involved, with the Commonwealth government finding itself in a new province of industrial sponsorship and regulation. For the government, developing an "indigenous" oil industry always had high priority.

Lip-service was given to "nationalization" but it would seem that the advocates always had in mind the establishment of a partnership[1] with a company already operating and with expertise in the industry. American and Dutch (Shell) companies were considered, but there was general agreement that an alliance with a British company would keep the enterprise within "the empire" (Australia was still emphatically British!). Anglo-Persian, with its British government shareholding, soon emerged as the favored candidate. It was already a large enterprise, it had been involved in oil prospecting in Papua New Guinea, and it had its own tanker fleet. Many Australians also remembered that one of their compatriots, William Knox D'Arcy, had played a major role in oil exploration in Persia and in the formation of the original Anglo-Persian company (Yergin 1991: 135-142).

From its own make-up, Anglo-Persian was well-versed in public-private melding arrangements, and it was far from reluctant. Of course it was looking for new avenues for marketing its Persian oil. If it were to join with the Australian government, top priority would need to be given to the establishment of a modern refinery designed to handle that high-grade oil. Emphasis would clearly shift from the indigenous oil the Commonwealth wished to promote to the imported product. And the Commonwealth government would always have a keen interest in monitoring price levels in the interests of Australian consumers who constituted the local electorate. It was easy to see that that consideration also could lead to conflict-of-interest situations.

The Agreement

The agreement between the parties, in the form of a contract, was drawn up and signed in mid-May 1920 with Prime Minister WM Hughes signing for the Commonwealth. Much of the drafting took place in London, with Commonwealth public servants visiting for that purpose and augmenting the resources of the Australian High Commission. On the other side was an Anglo-Persian negotiating party with Lord Inchcape, a prominent industrialist who was a government director on the Anglo-Persian board, playing a leading role. The contract was presented to the Commonwealth parliament as a schedule to the Oil Agreement Act 13/1920. Receiving the Royal Assent on 29 May 1920, that act and the agreement ratified with it became the law of the land.[2]

The Agreement committed Anglo-Persian to take all steps necessary to form and register a "Refinery Company" in the State of Victoria within 90 days of the signing of the Agreement; there would be a capital of £500,000 in shares of £1 each, the Commonwealth being allotted 250,001 shares, and Anglo-Persian and its nominees 249,999. Capital could be increased but always such that this bare Commonwealth majority would be retained. Surprisingly, the balance of appointees to the board of directors (including the managing director if he had a vote) varied in the reverse direction: three-sevenths to be nominated by and represent the Commonwealth, and four-sevenths to be nominated by and represent Anglo-Persian. On a number of prescribed matters, however (including any proposed sale of all or part of the business), no action or decision could be taken "without the consent of the Commonwealth as expressed though its representatives on the Board of Directors" (Oil Agreement Act 13/1920, Schedule, 3(d)(iv)).[3]

The major purpose of the refinery company was described as "the creation and development in Australia of the industry of refining mineral oil" and "the erection equipment and operation of a modern refinery or refineries in Australia for refining mineral oil" (Oil Agreement Act 13/1920, Schedule, 4(a, b)). Though it was not foreseen when the agreement was drafted, inclusion of the word "modern" would eventually allow the private partner to push its own interests at the expense of the broader goal of developing an Australian oil industry.

Technical and commercial management would be completely in the hands of the refinery company. In the preparatory period Anglo-Persian was committed to use its best endeavors to secure adequate supplies of oil products in Australia at reasonable prices, and the Commonwealth was committed to supply a prescribed quantity of indigenous oil (or alternative crude) for refining as soon as it became available, with safeguards aimed at ensuring sale at "fair and reasonable" prices.

Included in a variety of other provisions were undertakings that the Commonwealth would use its power over customs duties to prevent unfair competition with products of the refinery company; that neither party to the agreement would pledge or sell any part of its holding in the company without first advising the other party and giving it the option to purchase; and that, at the expiry of 15 years after completion of the first refinery, the Commonwealth would have the option of purchasing the whole of Anglo-Persian's interest. Anglo-Persian would be appointed as the marketing agent for the sale of refinery company products outside the Commonwealth and its territories, to be paid a commission of 10 percent on gross sales. COR administration was expected to be completely free of political control, with the company operating as a commercial enterprise and receiving no preferential treatment in respect of taxation or other government imposts.

In Operation

Commonwealth Oil Refineries Ltd (COR) was incorporated under the Victorian companies legislation on 25 August 1920, with the first meeting of directors following on 11 September 1920. One of the Anglo-Persian directors with wide experience in the oil industry was appointed general refineries manager; a Commonwealth director served as chairman. Offices were established, and attention moved swiftly to the selection of the refinery site. In the early stages it was thought there might be one refinery in New South Wales and one in Victoria, but the focus soon settled on a site at Laverton in Victoria, with a neighboring bulk installation plant to receive the oil from tankers and pump it through a pipeline to the refinery.

The refinery opened in 1924 and its distilling processes were frequently adjusted, at Anglo-Persian's insistence, to ensure that it was able to use the most modern and economical refining methods available. It thus came to be geared especially to the treatment of Persian crude oil imported in Anglo-Persian Oil Co. tankers. The new plant could not handle indigenous Australian oil, which meant that the Australian government was thwarted in its desire to use COR as a platform for the development of a local oil industry.

Supplementary Oil Agreements were negotiated among the partners and ratified by legislation in 1924 and 1926. The effect was to increase COR's capital, needed to cover developmental expenditure, with the partners contributing exactly even amounts, thereby maintaining the initial shareholding arrangement in which the Commonwealth held a bare majority of shares. COR ranked no. 71 in a survey of the top 100 businesses in Australia in 1930 (Ville & Merrett 2000: 35), and dividends were paid regularly to both partners (at the rate of 12 percent to 15 percent on capital through most of the 1940s).

Pricing was always a contentious issue, especially as the agreement placed no obligation on Anglo-Persian to sell its oil cheaply to COR. Many thought that with its co-owned refinery, the government had a right to expect that there would be price advantages for Australian consumers. Registering the dissatisfactions, there was an inquiry by the parliamentary Joint Committee of Public Accounts in 1924 and by a royal commission in 1934, but the Anglo-Persian directors on the COR board responded vigorously that they did not "think Australia can expect to be supplied with motor spirit at less than world prices. . . this is a commercial, not a benevolent concern."[4.] The price was negotiated every two years, and the dissatisfactions with it ensured that COR's affairs were frequently raised in the Commonwealth parliament through the 1930s and ’40s. There were also negotiations with Anglo-Persian (which became Anglo-Iranian in 1935) in London about customs and excise charges, necessarily complex where importation and local processing operations were both involved, and the company won some concessions from the government.

The search for sources of indigenous oil went on, but outside the COR framework. Anglo-Persian/Anglo-Iranian was certainly involved in this search in Papua New Guinea. But its critics argued that its mission there was really to prevent any discovery which might jeopardize COR’s hold on the Australian market and that of its own tanker fleet in supplying the COR refinery from its Persian resource base. After World War II, Anglo-Iranian began to market aviation fuel to the RAAF, again separately from its involvement in COR. The ME was beginning to break up, the private partner’s interests having broadened so that COR was becoming increasingly marginal to its view of the world.

Towards Closure

As required by the oil agreement, the Commonwealth had the option of purchasing the whole of COR’s interests and holdings 15 years after completion of the first refinery. After considering various possible courses of action, the Commonwealth decided in the late 1930s not to exercise the purchase option, but also not to spend more money on COR. It had, through its partnership with Anglo-Persian, secured a much more stable supply of petroleum products for Australia than before, but it had failed in its desire to use the partnership to develop an indigenous oil industry. By October 1949, moreover, the issue of the seemingly unfair COR board representation was being brought into the open by Australia’s Chifley Labor government. Anglo-Iranian suggested making provision for the appointment to the seventh directorship[5] of a person acceptable to both partners, but Prime Minister Chifley responded that that course did not conform to the basic principle of equal representation. There are many indications in the files and the occasional parliamentary discussions of a growing area of discomfort between a Labor government embarked on an active program of post-war reconstruction and national development, and partial to fully publicly-owned enterprises, and a private sector partner increasingly impatient with COR’s relatively small contribution to its organizational health and still mostly espousing the conservative values of those British oil entrepreneurs who had provided much of the initial energy for this public-private partnership.

COR could not fail to be impacted by developments in Iran itself where, from 1951, nationalist politics was making it very difficult for the oil companies to continue to extract and export oil: Anglo-Iranian would soon respond by separating itself from the Persian/Iranian name tag and becoming British Petroleum or BP.[6] Nor could COR continue to maintain any sort of primacy in an industry undergoing rapid expansion to cater for the swelling oil needs of the post-World War II period in Australia. Many oil companies were now well ensconced in the Australian economy, and the private partner in the ME, soon to be BP, was planning a new refinery, completely separate from COR, at Kwinana in Western Australia.[7] In comparison, the existing Laverton refinery looked tired and technologically obsolescent. This was a far cry from the position when Prime Minister

Hughes welcomed those British entrepreneurs to share direct construction and operation of the first refinery.

Chifley lost the Australian National Election of December 1949 to the Liberal/Country Party Coalition under Prime Minister Robert Menzies. As a conservative political leader, Menzies was far from being an arch-privatizer like Thatcher in Britain or Kennett and Howard in Australia. However, where public enterprises could be said to have completed their developmental tasks, he believed in disposing them. Over a period of several years he undertook a fairly significant program of what was then called "denationalizing."[8] He encountered little opposition when, in 1952, he sold the Commonwealth's shareholding in Commonwealth Oil Refineries to the private enterprise partner, soon to become British Petroleum.

Case Study Two: Amalgamated Wireless (Australasia) Ltd [9]

The Partners

Unlike the field of oil exploration and refining that created COR as an ME, the development of wireless communications was likely to be more complex both in organizational and in personnel terms because it engaged some larger operators as well as a mass of small ones – backyard inventors, hobbyists who embraced some public functions like the ham radio operators, and many others. Often governments found they were dealing with micro-enterprises in complex relationships with each other, and political parties found it difficult to formulate consistent policies for the sector. As one analyst of the development of Australia's early wireless telegraphy and telephony services put it, the story demonstrates to the full the complex "political, administrative and social consequences which inevitably result from a technical discovery" (Curnow 1963: 47).[10]

Australian governments were connected with the development of wireless communications almost from the beginning of the industry. Thus Marconi's English-based Wireless Telegraph Co. was given various licenses for special services, e.g., to conduct trials across Bass Strait in 1906. But the passing of the Wireless Telegraphy Act by the federal parliament in 1905, giving full control of wireless communications to the Postmaster General's (PMG) Department, marked a tension that would always exist in this fledgling industry between advocates of public and private provision. The private side would always be a powerful influence within this industry.

Marconi, another private company, and the government were soon involved in cross-litigation, mostly over infringements of patent rights. Eventually the two private companies settled their differences, and in 1913 they joined together to form a new company, Amalgamated Wireless (Australasia) Ltd (AWA). The Marconi company became a major shareholder, and AWA was its exclusive Australasian licensee. Under the long-term leadership of ET (later Sir Ernest) Fisk, AWA was thereafter much involved in a wide range of radio telephony operations, such as receiving the first direct radio message from Britain to Australia, establishing a chain of coastal radio stations to ensure the safety of ships at sea, and establishing the high-frequency beam wireless service to link Britain and

Australia and so overcome dependence on obsolescent cable communication facilities. As communications historian Ian Mackay pointed out (1957: 17), “Amalgamated Wireless scored many ... famous firsts in the Australian broadcasting story.”

After World War I, the Marconi company wanted to establish direct wireless service between Britain and Australia. The Hughes government wanted the improvement in communications facilities but would not agree to a private company controlling what was regarded as Australia’s wireless lifeline. A British government-appointed committee, concerned to develop a broad empire-wide wireless network, proposed a chain of very high-powered VLF wireless stations and relay stations that would leave Australia at the end of a vulnerable line of staged connections. However, technological development was showing that a better system involving direct Australia-London communication was possible, and Prime Minister Hughes, another leading figure in the AWA story, wanted that.

Hughes began his being prime minister as Labor Party leader and generally remained sympathetic to Labor values, which included the use of public enterprise to advance important national causes. But unrelated war-time issues (such as conscription) saw him move out of the Labor Party to head a new Nationalist government, requiring him to associate with many of the conservative figures who had previously been his opponents. The new Country Party was developing political power and soon governing in coalition with the Nationalists, and there was no love lost between Hughes and its leadership. The stage was being set for a much more conservative approach to government. For its part, the private AWA made no secret of its support for conservative values, its leaders were well connected to the non-Labor parties, and it was ambitious to play a very large part in the development of wireless communications.

The Hughes government wanted that direct radio link with Britain, and the prospect provided a large commercial and technological challenge welcomed by AWA. When other options, such as direct provision by the Postmaster-General’s Department, failed to get political support or fell by the wayside for other reasons, the government was left with little choice but to do business with AWA. Hughes and AWA Managing Director Fisk were unlikely allies. But, as Given records (2008: 3) [, together they “hatched a plan” that produced the eventual working partnership.

The Agreement

AWA had proposed that the Australian Commonwealth government should enter into a working arrangement with it whereby the Commonwealth would secure a controlling interest in the company by taking up £500,001 worth of shares out of a total capital of £1,000,000. Once established in its mixed-enterprise form, the company would provide high-power and feeder stations in Australia, the UK, and Canada, and it would assume control of the developing coastal wireless station network. The proposed agreement also stipulated that the private shareholders would nominate four members of the seven-member board. Critics asked how that squared with the claim that the Commonwealth would have “a controlling interest” and the draft agreement went to a parliamentary committee for review during mid-1922. This first agreement was not ratified by legislation as was the COR agreement; it was sufficient for the Prime Minister to sign it after investigation and eventual approval by that committee. The Labor Party had wanted to kill AWA as a private company but, finding its preferred policy of complete government control unwinnable, it turned to seeking favorable conditions for the Commonwealth within the mixed-ownership AWA.

Curnow (1963: 82-84) expresses surprise that so little attention was given by the parliamentarians to matters of organizational design.[11] What was now critical was the composition of the AWA board. The agreement, as amended after the committee input and signed in March 1922, stipulated that the board should comprise three government directors, three directors to represent other shareholders, and an "independent" chairman to be selected by the other six.

Almost immediately a dispute arose over selection of company chairman, and an arbitrator nominated the former AWA chairman of directors to be the independent chairman and seventh director. That nomination was totally unacceptable, and after further Commonwealth-company negotiation, what must surely be the strangest of all possible outcomes emerged: The seventh director would be none other than Prime Minister Hughes. Hughes stayed on the AWA board for the rest of his long life, even after he left government and the Commonwealth shareholding was sold (Given 2008: 6).

The agreement had to be amplified or amended twice, with the 1924 and 1927 editions ratified by legislation in the COR style.[12] In the 1922 agreement it had been envisaged that the Marconi company would become the constructing and operating agent of the principals as they worked towards the direct radio link with Britain, but the British government had refused to issue the necessary licenses for work at the British end. So the partners conferred again and the 1924 agreement relieved the company of unworkable conditions and facilitated forward movement. Patent issues remained problematic. The 1927 agreement detailed quite complicated funding provisions relating to the relaxation of patent rights and balancing compensatory payments, the modernization of wireless stations taken over under the principal agreement subject to an annual Commonwealth contribution towards station maintenance, and the need for Commonwealth approval for new services and rates for traffic on all services.

The operating conditions were therefore far from simple. The parties were not united in their ambitions for the ME, although they shared a determination to resist British efforts to control the developing empire communications system.[13] And they needed always to keep abreast of the technological developments that came thick and fast in their industry and to be on guard against influential forces in their environment that wanted to impose either full public or full private ownership "solutions." How, then, did the AWA "partnership" work in practice?

In Operation

The opening in 1927 of the Beam Wireless Service linking Britain and Australia was clearly a major feather in AWA's cap. Not only was it said to be the longest direct telegraphic service in the world at that time but the rates for traffic on it proved to be cheaper than anticipated.

A royal commission on wireless in 1927 ranged widely over relevant issues in its inquiry. As Given put it (2007: 264), "the idea of the hybrid enterprise ...[was] under intense scrutiny" but it survived. Tensions between the partners were, however, never far away. There was wide acceptance that the communications industries were a fit and proper province for public enterprise, with the PMG's Department developing and extending with reasonable efficiency the postal, telegraphic, and telephonic networks it had inherited from the states at the time of federation. It was seen as a service industry: good if it earned profits, but that was not its main purpose. As one partner in AWA, the Commonwealth represented this tradition strongly. As the other partner, Fisk and his colleagues wanted as much of that action as it could get access to, but it would always be motivated primarily by profit-earning capability. Moreover it had always been a significant manufacturer of the equipment used in radio stations, home wireless receivers, and all the other manifestations of the ever-growing communications industry, and profitability was the prime concern there too.

When the national broadcasting system was being designed, Fisk proposed that it be a wholly-owned AWA subsidiary.[14] There is some evidence that the government directors on the AWA board supported him in such ambitions, but government itself was not sympathetic. A subsidiary valve-producing company was supported, and other AWA subsidiaries obtained licenses to operate scores of local broadcasting stations. But when in 1931-32 Fisk proposed a huge AWA subsidiary to extend AWA's manufacturing activities "to cover the complete field of electrical entertainment and amplification, including gramophones, talking picture equipment for the theatre and home, public address amplification systems and the electrical recording and reproduction of sound and vision generally" (Given 2007: 190), it was too much for the government. The Scullin Labor government (1929-31) stalled, though it was clearly displeased. Fisk demanded compensation for damages to AWA in the event that his proposal was rejected.[15]

Replacing Scullin, new Prime Minister Joseph Lyons, another Labor defector now in conservative colors, took his time, consulting his Attorney-General and others. Some strange and indefensible views emerged, such as that the government was constitutionally prohibited from engaging in enterprise-type activity. But the Lyons cabinet settled on a clear policy in May 1932. It favored "the separation of communications from manufacturing activities, the ultimate aim being the return of communications to the Commonwealth. Pending discussion with [AWA] on these lines, Cabinet was unable to agree to any extension of manufacturing activities in competition with private enterprise" (Given 2007: 192).

In a sense, that was the end. By 1933, it seemed that the operating partnership was effectively over, and that all that remained was to work out how to close it down.

A Long Slow Death

The government was locked into political and economic debating and policy-making relating to the severity of the depression and how to lead the country out of it. Before long, the clouds of war were making themselves felt and World War II, in which Australia was a not-insignificant partner of the Allied nations, had to be fought and won. The war experience produced both political and technological transformations. At its end, with Labor parties resurgent throughout most of the British Commonwealth, there was concerted movement at the international level to reform the networks of global communications.

Almost in a state of suspended animation, AWA carried on performing the activities already embraced by it—the beam wireless service, the coastal radio stations, and the manufacture of a mass of equipment needed for the operation of the many communications services now in operation. One of its initiatives produced electric traffic control signals, claimed to be a world first. The AWA brand ("Radiola") on wireless receiver sets in tens of thousands of Australian homes was a constant reminder of its significance to the economy in general and to the communications industry in particular. And it had many other involvements. After the war, for example, it was extensively engaged in the design, development, and manufacture of advanced aeronautical navigation and surveillance systems, often in association with CSIRO, the publicly-owned research organization, and the Department of Civil Aviation.

And to keep it running in this way the board, with its government-appointed and its private shareholder-appointed directors, continued to meet, to process accounts, to pay dividends to the partners and to report back to them from time to time, and to develop proposals for financial relief from government in areas where profits were not readily forthcoming. Old arguments with the PMG's Department resurfaced, and in 1940 the Commonwealth actually sued the company in which it was the major shareholder for invading the exclusive rights of that Department under the Posts and Telegraphs Act.[16]

In 1946, as part of the reorganization of the international telecommunications network throughout the British Commonwealth, the Australian government created a statutory body, the Overseas Telecommunications Commission (OTC), to operate the international and coastal radio services. Some 21 AWA properties were taken over by OTC, but this time AWA was compensated for the properties and business lost, and was free to develop its other business areas not covered by this reorganization.

And so it went on for a few more years, apparently hidden away from the main communications policy spotlight. As noted in the COR case study, conservative Prime Minister Menzies won the December 1949 Federal Election, and over a period of several years he undertook a fairly significant program of "denationalizing." He encountered little opposition when, in 1951, he sold the Commonwealth's remaining shareholding in AWA to EMI (Electric and Musical Industries), a private British-based company to which Fisk had moved after departing from AWA in 1945.

Notes to Appendix

[1]From the discussions at the time, it is clear that the arrangement was seen from the start as a "partnership."

[2]Eventually there were three such agreements, all ratified by Commonwealth legislation: Oil Agreement Act 13/1920, Oil Agreement Act 7/1924, and Oil Agreement Act 14/1926. Provisions of the main agreement (1920) were supplemented by the Memorandum and Articles of Association accompanying the formal incorporation of COR under Victoria's companies legislation (COR 1923). COR produced its own official history (COR 1938), and its history also featured in a left-leaning study by an Australian writer who favored public over private enterprise as the preferred vehicle of national development (Amos 1935). Supplementing these sources, the staff of the National Archives of Australia was very helpful to us in providing access to a series of official files holding the correspondence of ministers, bureaucrats, parliamentarians, and oil industry leaders during the period of the rise and fall of the two enterprises.

[3]This discordance probably owed something to the model of Anglo-Persian. The British government appointed only two directors to its board, but they had power of veto over any resolution passed by the full board subject to appeal back to the government itself.

[4]Reported in the Melbourne newspaper *The Argus*, 28 November 1924.

[5]The significance of a "seventh director" to Australian policy-making at this time will become apparent in the following AWA case study.

[6]It did this in 1954.

[7]The new refinery opened in 1955.

[8]For the background to Australian political debates about public enterprise and national development around this time, see Wettenhall 1987. For a report on the Australian privatizations of this period to the EROPA General Assembly meeting in Macao in 1998, see Wettenhall 1998.

[9]Australasia is a geographical term normally used to describe Australia *and* New Zealand.

[10]There are many treatments of this communications history, and this case study seeks only to present sufficient background to illustrate the working and the problems of the ME which emerged in the 1920s. The major source is Jock Given's PhD thesis which charts the life and career of Sir Ernest Fisk, the dominating figure in the AWA story (Given 2007; also Given 2008). Curnow's work (1963) has also been very useful as it employs a traditional public enterprise perspective. Among other sources tapped into are relevant National Archives of Australia files, AWA's own websites, and treatments of AWA in Wikipedia.

[11]A careful analysis comparing the COR and AWA schemes was prepared in the office of Graeme Balsillie, who had contributed importantly to the design of a chain of coastal radio stations for marine communication. It noted that there were no restrictions on share trafficking in the AWA case—there were of course many small shareholders but the result was that there was less organizational solidarity. Moreover COR's purposes were defined more clearly, technical and business management was left entirely in its hands, and in COR the Commonwealth not only had an overarching option of purchase but each party had the option of purchasing the other's shareholding in the event of a desire to withdraw. There were no matching provisions in the AWA case. There is, however, no indication that this analysis was ever drawn seriously to the attention of any of the leading agreement negotiators. (From National Archives of Australia file 442 25 405 6 5 1 – 6 (B523485), dated about 1922).

[12]Ratified by Wireless Agreement Act 24/1924 and Wireless Agreement Act 37/1927.

[13]British initiatives were decisive in the merger of the undersea cable and many wireless services in the later 1920s, a move which produced the organization known as Cable and Wireless and anticipated the empire-wide agreements of the 1940s which saw public enterprises assume control of the international communications services linking British Commonwealth countries. The Australian Overseas

Telecommunications Commission, noted later in this case study, was a child of these agreements. The story is told in detail in Given (2007).

[14]He failed in that ambition. The Australian Broadcasting Commission (now Corporation) emerged in 1932 as a statutory corporation operating the publicly owned side (the "national broadcasting service") in what has been described as a "metaphytic industry," in competition with a set of privately owned radio and TV stations (Corbett 1965:117 – metaphytic from the Greek for multi-cellular plant, used by Corbett to describe a system of regulated competition between public and private enterprises in the same industry). AWA owned and operated many of those individual stations in the 1930s and '40s, and by 1935 Fisk had come to view the system of competing public and private stations very positively, allowing the two sectors to "stimulate each other without the results being destructive to either." Given speculated that, by now, he was thinking that it was better than "through integrating private enterprise and public control within a single organization" (from Fisk's report to the *New York Times* as reported in Given 2007: 219).

[15]From National Archives of Australia file SF36/1 series: A467.

[16]The case was lost. See McBride 1940.

References to Appendix

Amos, DJ 1935. *The Story of the Commonwealth Oil Refineries and the Search for Oil.* Adelaide: McAlister.

Commonwealth Oil Refineries Ltd (COR) 1923.

Commonwealth Oil Refineries Ltd (COR) 1923. *Memorandum and Articles of Association of the Commonwealth Oil Refineries Ltd,* Melbourne: Commonwealth Oil Refineries Ltd.

Commonwealth Oil Refineries Ltd (COR)1938. *The Romance of the COR: A Great National Institution*, Melbourne: Commonwealth Oil Refineries Ltd.

Corbett, David 1965. *Politics and the Airlines*, London: Allen and Unwin.

Curnow, Ross 1963. "The Origins of Australian Broadcasting 1900-1923", in Bedford, Ian & Curnow, Ross, *Initiative and Organization,* Melbourne: Cheshire, pp. 47-120.

Given, Jock 2007. *Transit of Empires: Ernest Fisk and the World Wide Wireless.* PhD thesis, Department of Historical Studies, University of Melbourne.

Given, Jock 2008. "A 50/50 Proposition: Public Private Partnerships in Australian Communications", *Media International Australia incorporating Culture and Policy,* no.129, pp. 4-115.

McBride, Senator Philip 1940. "Amalgamated Wireless (Australasia) Limited", answer to parliamentary question, *Commonwealth Parliamentary Debates*, 22 April.

Mackay, Ian 1957. *Broadcasting in Australia.* Melbourne: Melbourne University Press.

Ville, Simon & Merrett, DT 2000. "The Development of Large-scale Enterprise in Australia, 1910-64", *Business History,* 42(3), pp. 13-47.

Wettenhall, Roger 1987. *Public Enterprise and National Development: Selected Readings,* Canberra: RAIPA (ACT Division).

Wettenhall, Roger 1998. "Privatization in Australia: How Much and What Impacts?", *Asian Review of Public Administration,* 10(1/2), pp. 144-158.

Biosketch

Roger Wettenhall is Professor Emeritus in Public Administration and Visiting Professor at the ANZSOG Institute for Governance in the University of Canberra, Australia. He was Editor of the Australian Journal of Public Administration 1989-1995. His main current research interests are state-owned enterprise, privatization, public-private partnerships and non-departmental public bodies. E-mail address: <Roger.Wettenhall@canberra.edu.au>

NOTES FOR CONTRIBUTORS

Manuscripts are solicited for the *Asian Review of Public Administration* (ARPA). ARPA will consider manuscripts that draw attention to and/or discuss important developments in public administration/public management with wide international relevance. However it is essentially a regional journal, so that some preference will be given to manuscripts focusing on developments of relevance to the Asia-Pacific (EROPA) region. Articles submitted for publication should be between 6000 and 8000 words inclusive of notes and references.

ARPA is a blind peer-reviewed journal, so articles submitted should contain title and author name(s) on a sheet separate from the text. A brief biographical sketch of the contributor, and a short abstract of approximately 100 words, should accompany each article.

They should be submitted double-spaced, preferably on-line, to eropa.secretariat@gmail.com. As to format and style, contributors should take note of and follow the heading, paragraphing, general writing and referencing formats and styles explained in the EROPA website http://www.eropa.org.ph/activities/ARPA.php.

The Editorial Board reserves the right to make necessary editorial modifications including changes in the titles of articles. All accepted articles will be returned to authors for proof-checking, and published authors will receive two copies of the issue of the journal containing their article.

EASTERN REGIONAL ORGANIZATION FOR PUBLIC ADMINISTRATION

EROPA is an Asian organization of States, groups and individuals in the general area of Asia and the Pacific.

The Organization came into being in 1960, in response to a common desire among developing countries to promote regional cooperation in improving knowledge, systems and practice of government administration to help accelerate economic and social development. It was the first organization in the region to be devoted to the development of public administration in order to advance the economic and social development of countries in Asia and the Pacific.

EROPA consists of State members in the region. Members include numerous institutions in the area such as institutes or schools of public administration, universities, government agencies and municipal corporations. The Organization has also admitted individuals to membership whose achievements have been outstanding.

EROPA endeavors to achieve its objectives through regional conferences, seminars, training programmes, special studies, surveys, researches and publications. Its activities are carried out through the EROPA headquarters in Manila, as well as through its three regional centers, namely, the EROPA Local Government Centre in Japan, the EROPA Training Centre in India and the EROPA Development Management Centre in the Republic of Korea.

Activities of EROPA have been held in different parts of the region. Meetings and Seminars have been conducted in Manila, Hong Kong, Tokyo, Bangkok, New Delhi, Seoul, Tehran, Jakarta, Kathmandu, Beijing, Kuala Lumpur, Canberra, Hanoi, Malaysia and Macau.

EROPA has been accorded consultative status by the United Nations further emphasizing the co-operative relationship between the UN headquarters in New York and EROPA. The organization is also one of the online regional centers (ORCs) of the UN Public Administration Network (UNPAN).

The work of EROPA is made possible through the help of host governments which are Member States of EROPA. It is financed through subscriptions from its State, Group and Individual Members.

EXECUTIVE COUNCIL

Representatives of State Members
People's Republic of China, India, Indonesia, Islamic Republic of Iran, Japan, Korea, Nepal, Philippines, Thailand, Vietnam

Representatives of Group Members

Representatives of Individual Members