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Different Faces of Fiscal Bureaucracy

*Ringa Raudla, Lars Mjøset, Rainer Kattel, Aleksandrs Cepilovs,
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ABSTRACT

In light of the growing importance of finance ministries and the financial dimension in policy-making, opening up the “black box” of fiscal bureaucracies is more warranted than ever. Our paper addresses the following research question: What kinds of roles can be assumed by fiscal bureaucrats in fiscal policy-making and budgeting? We propose four dichotomies that can be employed for examining the roles played by fiscal bureaucracies: 1) developers vs guardians; 2) initiators vs followers; 3) mediators vs insulators; 4) modellers vs estimators. In developing these dimensions, we juxtaposed the insights from various streams of institutionalist research and also literature on public budgeting and public policy with the themes that emerged from the interviews we conducted in four different countries: Estonia, Latvia, Sweden and Norway. We find that fiscal bureaucracies in Estonia and Latvia tend to be closer to the guardian-insulator-estimator ends of the continuums, whereas the officials in Sweden and especially Norway lean towards the developer-mediator-modeller end of the scale. The division between the initiator vs follower roles is less clear-cut.

Keywords: fiscal bureaucracy, fiscal policy, budgeting, comparative analysis

1. Introduction

A number of studies on fiscal governance have pointed to the increasing power of the finance ministries, following the recent financial, economic and fiscal crises (Allen et al. 2016; Di Mascio et al. 2013; Raudla et al. 2015). Finance ministries have already tended to be *primi inter pares* among the ministries since they are responsible for “formulating and implementing the core financial functions of government” and are “at the center of economic and fiscal policy-making” (Allen et al. 2016, 3). The growing importance of the financial dimension in governance gives the finance ministries – and especially the “fiscal bureaucracy” part – an even bigger role in the governmental ecosystem. By “fiscal bureaucracy” we mean the civil

servants who are involved in and contribute to budgetary and fiscal policy; hence, it covers officials working for the departments of budgeting, fiscal policy and macro-economic analysis in the finance ministries.

In light of their growing importance, it is somewhat curious that the finance ministries have received only limited attention in scholarly research so far. Indeed, as Allen et al. (2016, 4) put it, “the literature on the functions and organizational structure of finance ministries is relatively slim”. However, anecdotally, the power and importance of fiscal bureaucrats is rarely doubted, often feared and vilified as in this following exchange from *Yes, Prime Minister* (1986):

James Hacker: But that’s an outrageous view.
Sir Humphrey Appleby: Yes indeed, it’s known as Treasury Policy.

Thus, it comes as a surprise that the role of bureaucracy in policy-making is an understudied question – or even a “missing variable” (Meier 2009, 7) – even though it is often admitted that bureaucrats can play a significant role in policy making (Baekgaard et al. 2015; Howlett 2011). If the volume of studies on finance ministries and the role of bureaucracies in policy-making is “slim”, the literature on fiscal bureaucracies is even thinner. In Krause’s (2012, 149) words: “Budget officials are bureaucrats but bureaucracy is mostly absent from literature on budgeting.” Given their increased power and relevance, however, it would be useful to open up the “black box” of fiscal bureaucracies and take a closer look at the kinds of roles they play and the types of “faces” they can have. In doing that, we have followed the call of Yesilkagit (2012, 35), who, when elaborating the future research agenda in the field of executive politics, called for “recalibrating” the images we have of bureaucracies by undertaking more studies about the bureaucrats’ roles, beliefs and perceptions.

Thus, the research question this paper addresses is: What kinds of roles can be assumed by fiscal bureaucrats in fiscal policy-making and budgeting? While Allen et al. (2016) analyze the functions and organization of finance ministries as a whole, in this paper, we zoom in closer on the fiscal bureaucracy part of finance ministries. We propose four dichotomies that can be employed for examining the roles played by fiscal bureaucracies: 1) developers vs guardians; 2) initiators vs followers; 3) mediators vs insulators; 4) modellers vs estimators. In developing these dimensions, we juxtaposed the insights from various streams of institutionalist research and also on literature on public budgeting and public policy with the themes that emerged from the interviews we conducted in four different countries: Estonia, Latvia, Sweden and Norway. In each country, 5-6 semi-structured interviews were conducted with fiscal bureaucrats during the period of 2014-2016. In choosing the interviewees we followed the logic of purposive sample and sought to cover officials who contribute to fiscal policy making and budgeting through different angles. The dichotomies we outline in this paper are, of course, continuums rather than binary in nature. For developing the first three dichotomies (developers vs guardians; initiators vs followers; mediators vs insulators) we were able to draw on the theoretical discussions in the existing literature. The last dichotomy (modeller vs estimator) emerged as an insight from our interviewees. It also points to a gap in the existing theoretical dis-

cussions on comparative public policy and bureaucracy – since we could not find any studies that would discuss the use of macroeconomic models by fiscal bureaucracies.

In choosing the countries, our goal was to cover a sufficient diversity of settings while keeping the cases comparable. All four countries are unitary states, parliamentary democracies with proportional electoral systems and coalition governments, and located in the same region. However, the two pairs – Estonia/Latvia and Sweden/Norway – have very different characteristics in terms of prosperity, economic development, styles of policy-making and ideational heritage. Sweden and Norway are older democracies, Estonia and Latvia newer ones. Sweden and Norway are high-income countries, Estonia and Latvia on the medium level. Sweden and Norway have a long heritage of social democratic governments, while the Estonian and Latvian governments have, since the 1990s, been primarily driven by the neoliberal policy agenda. The countries also vary in terms of their integration with the European Union (EU). Estonia has been a Eurozone member since 2011, Latvia since 2014. Sweden is a full EU member but does not have the Euro. Norway is not a member, but it is closely integrated through the European Economic Area (EEA) agreement. By looking at the different settings, we can explore the variation in the perceived roles and faces of fiscal bureaucracies.

The main empirical goal of this paper is not to offer generalizations but to explore the nuances under the dichotomies we have proposed – to “fill them with life” and with the actual “voices” of the fiscal bureaucrats themselves. Thus, our aim is to provide a more nuanced discussion of fiscal bureaucracies than just focusing on the formal authority and institutional competencies would allow, and zoom in on the “subtler” roles they can play. We do point to some patterns where we observed them, but these should be viewed as tentative conjectures. In other words, the overall goal of our analysis was to explore the diversity of the attitudes rather than to converge on premature generalizations. The paper is structured as follows: sections 2-5 cover the four different dichotomies we have proposed, with each section first providing some theoretical considerations, followed by empirical analysis. Section 6 concludes with a discussion.

2. Guardians of the Purse or Developers of Economy?

In the literature on budgeting, finance ministries are usually expected to fulfil the role of the “guardian” of the purse (Heclo and Wildavsky 1974; Rubin 2016; Krause 2012; Wildavsky 1986; Wildavsky and Caiden 2004). As Krause (2009, 3) puts it, “Modern finance ministries should be lean and mean guardians of public money.” While the line ministries have incentives to expand spending, the finance ministries also look at the revenue side and evaluate the overall tax burden. Indeed, the “performance” of fiscal bureaucracies is usually evaluated by how well they manage to balance demands and available resources (Heclo and Wildavsky 1974; Krause 2012). They are expected to take the “Treasury view”, be the “responsible housekeeper” of the government (Wanna et al. 2003) and “discipline” the spending-prone line ministries.

The role of the “guardian” can be played out by adopting either a “macro” or a “micro” approach to budgeting (Krause 2009; Schick 1986, 1988). *Macro-budgeting*

is aimed at controlling the budget totals, leaving more discretion over the details of the budget to the line ministries. *Micro-budgeting* focuses on controlling the more detailed line-items, influencing the daily operations of spending ministries and essentially acting as a “command and control post” (Schick 2001, 9). The general tendency in the Organisation for Economic Co-operation and Development (OECD) countries has been to move from micro-budgeting towards macro-budgeting, entailing a stricter control over the totals and relaxation of more detailed input controls (Schick 2001).

Alongside fulfilling the “guardian” role, fiscal bureaucrats can also be expected to consider the effects of the budget on economic development, i.e. to assume what we call a “developer” role. Given the increasing importance attributed to fiscal policy in the post-crisis period and extensive debates in the academic and policy communities that have unfolded since the Great Recession (see, e.g. Ban 2015; Blyth 2013; Dellepiane-Avellaneda 2015; Vail 2014) we would also expect that fiscal bureaucracies had to (re)-reflect on what role fiscal policy could or should play in the development of the economy. The “developer” role can entail various tasks, ranging from developing counter-cyclical fiscal policies and fine-tuning the economy to undertaking a more extensive role in using fiscal policy tools to promote favourable development of the economy.¹ While not contradictory to the “guardian” role per se, combining the “Treasury view” with the “economic development” view can impose contradictory demands on the fiscal bureaucrats. Thus, we were interested in how these potentially conflicting imperatives influence the predominant role perceptions of the fiscal bureaucrats and their attitudes towards fiscal and budgetary policy-making in the four countries covered in our study.

In all four countries, the overall approach to the budget process follows the top-down approach of macro-budgeting, with Sweden being the clearest example (with its fixed multi-year expenditure ceilings) (Anderson et al. 2006; Downes et al. 2017; Kraan et al. 2009; Raudla 2010; Wehner et al. 2008). In all four countries, the interviewed officials did indeed point to their “guardian” role in the budget process, sometimes even using the very same term. As the Latvian officials put it: “We play the role of defender and keep the spirit of fiscal discipline because currently there is a real desire to spend” (Interview L2). “We serve the role of a watchdog, who’s barking all the time” (Interview L6). In Estonia, the interviewees repeatedly emphasized that their role is to “keep the house in order”, very much echoing the “responsible housekeeper metaphor” described above. A Swedish official remarked, “Spending ministries tend to exaggerate their expenditure forecasts and we usually follow a rule of thumb to adjust them downwards” (Interview S6). The “guardian” orientation was particularly clear in the case of officials working for the *budgeting* departments, which are in charge of gathering the spending proposals and negotiating with the line ministries. Even in Norway, where the scarcity of resources is somewhat lower than in the other countries, the interviewee noted that, “We have the oil revenue, but still, the politicians need to prioritize. They need to stop doing things and propose cuts and savings in order to prosper” (Interview N4).

¹ This can take different forms from spending rules to managing public development banks or state-owned companies. We also have to remember that many central banks were governed by respective Treasuries up to the latter decades of the 20th century, i.e. they were not autonomous (O’Connell 2014).

The guardian role of the fiscal bureaucracy has become more complicated in recent years, given that the EU fiscal rules pertain to the *general* government sector, which, in addition to the central government also includes local governments and state-owned and municipal enterprises. That means that if the latter run higher deficits, the central government has to lower its deficit in order to make sure that the general government deficit meets the EU target(s). Thus, in Estonia and Latvia, for example, local governments have to obtain a permission from the Ministry of Finance (MoF) in order to incur a loan – which adds another dimension to the MoF’s guardian role.

It emerged from the interviews that there are other, more subtle ways to exercise the guardian role than exercising a direct control of the expenditures in the annual state budget. Increasingly, the fiscal bureaucrats in the four countries have been in charge of designing *fiscal rules* – either as a result of the EU mandates (in Estonia and Latvia) or on their own initiative (in Sweden and Norway).

This more nuanced “guardian” role can be observed particularly clearly in the case of Estonia, where the interviewed officials admitted that when writing the new fiscal rule – the structural balance requirement – into the new organic budget law in 2013, it was the initiative of the fiscal policy department’s officials to establish a *stricter* target than was foreseen by the European mandate. While the Fiscal Compact required the member states to establish a structural *deficit* target of 0.5% of GDP, the Estonian fiscal bureaucracy proposed (and succeeded in) establishing a structural *balance* target (see also Raudla et al. 2016a). The fiscal bureaucrats also designed an automatic compensation mechanism (in the form of having to run budget surpluses), should it turn out, *ex post*, that a government has violated the structural balance rule. This was another requirement, which was not, in fact, covered by the European mandate. The fiscal bureaucrats hoped that these provisions would serve as additional checks on fiscal discipline. As one of the interviewed officials explained: “The current government is fiscally responsible but future governments may not be. Thus, we have been more conservative [in designing the fiscal rules in the new organic budget law] in order to avoid getting immediately into a big mess, should a more profligate government get into office. The stricter provisions in the organic budget law will hopefully keep the future governments in check” (Interview E2).

The *fiscal rules*, in turn, provide the MoF officials with a focal point in their “guardian” role: the rules allow them to take a firmer stance towards the line ministries. In Estonia and Latvia, it is the structural deficit (or balance) rule and multi-annual expenditure ceilings, adopted as a result of the requirements of the Fiscal Compact; in Sweden, it is the surplus target and multi-year expenditure ceilings; in Norway, the fiscal rule stipulating how much of the oil (or pension) fund can be utilized annually.² We also observed, however, that while the fiscal rules can strengthen the position of the fiscal bureaucracy in the budget process, vis-à-vis other actors, such rules can also impose contradictory demands on them. In the case of Norway, for example, the idea of the fiscal rule is to restrict spending of oil revenues to the return on the oil fund, but since the rule applies to a whole business cycle, it

² The Norwegian rule established a reference level for the budget deficit: over the business cycle, the deficit should equal the expected real return (4 per cent) of the petroleum fund (Mjøset and Cappelen 2011).

does not entirely rule out the kind of political business cycle behaviour (government spending timed to elections) that fiscal bureaucrats want to avoid. Furthermore, such rules can force the “guardians” to adopt “creative” approaches in order to comply with the rules. A Swedish official explained that in order to adhere to the expenditure ceilings, the MoF has used some “canny” solutions (e.g. postponing payments) to make sure that formally the rules are followed (Interview S6). As he emphasized, such an approach is necessary for avoiding a slippery slope: “Once the expenditure ceiling is exceeded, it is much easier to exceed it also next year. ... So we have a dual role of defending the system as a whole but in order to provide the needed flexibility, especially in more urgent situations where expenditure cuts cannot be undertaken, we have to introduce measures that more or less circumvent the rules” (Interview S6). Thus, in a paradoxical way, strict fiscal rules can force the guardians to “circumnavigate” the rules in order to “keep” the rules.

As mentioned above, the identification with the “guardian” role is particularly evident in the case of the officials working for the *budget departments*. When looking at the fiscal bureaucracies as a broader group of officials (including also those from departments dealing with fiscal policy, economic policy, and/or macro-economic analysis), the diversity of views with regard to the position in the “guardian vs developers” continuum is more pronounced, both between countries and within them. We explored these themes with the help of more general questions (e.g. asking the civil servants to outline the goals of fiscal policy) but also with more specific questions (e.g. how would they react in the case of recession, what is their evaluation of recent fiscal policy actions). Finally, in order to locate their answers in a broader ideational context, we posed questions with an explicit reference to Keynesian ideas and whether such ideas are or could be applied in their country.

In all four countries, the interviewees’ views were similar with regard to what the *general goals* of fiscal policy should be. They all agreed that fiscal policy should be counter-cyclical, play a role in economic stabilization and foster economic development. We could, however, observe differences among the interviewees with regard to what it would mean in terms of specific policy actions. In Sweden and Norway – when asked the question, “if a recession were to hit your country next year, what would the response be?” – *all* the officials answered that the government would respond with a fiscal stimulus. One of the Norwegian officials noted that in 2016 and 2017 they would, in fact, have “expansionary fiscal policy to counteract the downturn in the economy” (Interview N2). One of the Swedish officials explained that in order to stimulate the demand, the government could increase the child allowance, spend more money on the municipalities, and increase the infrastructure and housing investments (Interview S4). Another noted, “It is important to get people back to work” (Interview S3). In Estonia and Latvia, the answers to the same question (“how would you react to a recession?”) were more divided: some officials argued for consolidation measures, others for stimulus measures.³

Also, when evaluating the actions taken during *the most recent recession*, we can observe considerable differences between the assessments of the interviewees. The

³ At the same time, most of the officials in all four countries noted that in order to be ready for the next crisis, it is important to build reserves – so that there would be fiscal space for taking actions.

Swedish and Norwegian officials all pointed to fiscal stimulus measures that were undertaken in 2008-2010 and found them justified, although there were diverging views between the officials with regard to whether the measures were too small or too large, in hindsight. Some of the Swedish interviewees noted, however, with a view to the 1990s crisis, that in some cases, *fiscal consolidation* may improve the economic situation. As one of the officials explained, “In the 1990s we had this big fiscal crisis and there was a lot of discussion of non-Keynesian effects – that budget cuts could actually stimulate the economy. The evaluations afterwards of whether that was true or not have shown mixed results. Some findings indicate that when you have such a big fiscal crisis – we had a deficit of more than 10 per cent of GDP and exploding central government debt – it is possible that budgetary retrenchments could actually be expansionary because you increase the trust” (Interview S6).⁴ The interviewee added, however, “In a normal situation, when you have sustainable public finances – at least relatively sustainable – as in Sweden today, then an expansionary fiscal stance has a positive demand effect on the economy and budgetary cuts would have the opposite effects” (Interview S6). In Latvia, all the interviewed officials found the consolidation measures in response to the recent crisis justified – with the arguments echoing the same aspects as those mentioned by the Swedish official. In Estonia, some of the officials saw the consolidation measures as fully justified, whereas others suggested that perhaps they went too far and were contractionary.⁵

When asked to evaluate the current state of fiscal policy, both in Sweden and Norway, however, the officials expressed concerns over excessively expansionary fiscal policy. The interviews with the Swedish officials also indicated concerns over the potentially overly expansionary fiscal policy: “We are not being as careful with the money as we should be in fiscal policy, given that we are going through good times, labour market and production-wise. The government is over-expanding the economy now” (Interview S3). “Our GDP gap now is close to zero or even positive. We are now close to full utilization of resources and to avoid expansionary fiscal policy we should go back to surplus” (Interview S6). In the Norwegian context, parties represented in the parliament can demand that the party’s budget proposal is checked on the macroeconomic models maintained by Statistics Norway. Commenting on one of these exercises, a Norwegian official complained, “On fiscal policy they are a bit soft. They had some analysis a few years ago when they saw additional spending of 40-45 bn NOK on infrastructure every year. I found it to be too stupid in a way. ... It was then used in parliament for arguing for more spending in a situation where we didn’t really need it” (Interview N3). Referring to discussions on whether the Norwegian fiscal rule should be tightened by lowering the 4 per cent estimated return to 3 per cent, another official noted that the 4 per cent estimate “could give too high impulses to the Norwegian economy in a situation where we actually need to transform, and if you push too much money into the economy, that could stop the transformation you need rather than helping it” (Interview N1). In the Estonian case, we could observe a noteworthy diversity – even contradictions –

⁴ For academic discussions on the issue, see, e.g., Erixon (2015), Flodén (2013).

⁵ For an overview of the consolidation measures undertaken in Estonia and Latvia, see Raudla and Kattel (2013) and Kattel and Raudla (2013).

among the attitudes of fiscal bureaucrats with regard to the “development” dimensions of fiscal policy. On the one hand, all the interviewees repeatedly noted that, indeed, an important function of the fiscal policy is to be counter-cyclical, to smooth the economic cycle and to stabilize the economy. On the other hand, the perception of the political reality is different. As one of the officials noted, “The idea that we should stimulate the economy in order to close the GDP gap is still somewhat alien here” (Interview E3). Also, while some of the officials support counter-cyclical economic policy, *in principle*, they appear to be reluctant to actually implement it by incurring loans. As one of the officials argued, “I do not support the idea of incurring loans ... The ideas that politicians are proposing for incurring loans are idiotic” (Interview E2).

In a similar vein, in Latvia, the overall attitude of fiscal bureaucracy appears to be that fiscal policy has a significant role to play in economic development and stabilization. However, as in Estonia, there is a reluctance to implement such a policy in reality – due to distrust towards the politicians. A Latvian official explained that in light of the low public debt level and low interest rates, running small deficits would be justified, and the loans could be used for financing infrastructure spending. The interviewee added, however, that “We don’t really trust our decision-makers: if we allow them to have a greater deficit, we cannot be sure that they would use it for investment. Instead they might spend it on consumption or pensions or something else that is politically profitable. Thus, our attitude is that we would be better off by not borrowing: that enables us to have lower debt maintenance expenses” (Interview L4).

When asked explicitly about their attitudes towards *Keynesian*-style fiscal policy-making and the applicability of Keynesian ideas in their country, the Norwegian fiscal bureaucracy appears to be most comfortable with it and they all agreed that Norwegian fiscal policy follows Keynesian principles. As one of the interviewees put it, “I think that Keynesian ideas are basically there in all institutions in Norway that are discussing economic policy” (Interview N1). According to another, “We have a very long tradition in Norway for using fiscal policy actively in stabilizing the economy, and that goes back several decades” (Interview N3). Another official noted that although since 2001, when the fiscal rule and the inflation target were introduced, monetary policy in Norway has been given the main role in stabilizing the economy, fiscal policy still plays a role during large fluctuations (as was the case in 2008-2009) (Interview N2). In Sweden, the interviewees also supported a counter-cyclical role for fiscal policy and noted that there is more widespread agreement about the importance of Keynesian-style activist fiscal policy after the crisis. They also interpreted the existing fiscal framework in Keynesian terms. As one of the interviewees explained, the expenditure ceilings still allowed for counter-cyclical action: “Those who criticized our actions during the recession, neglected the fact that the expenditure ceiling is expressed in nominal terms and at the same time we had a drop in inflation, in prices, in wages, and that counteracted the effect on nominal expenditures” (Interview S6).

In Estonia and Latvia, the attitudes towards Keynesian fiscal policy are more ambivalent. In Estonia, on the one hand, the interviews indicate that the officials tend to re-interpret the austerity measures in 2009-2010 as having been at least partially

“Keynesian” in nature and having provided a boost for the economy (see also Raudla et al. 2016b). Thus, while during the austerity period itself (2008-2010), Keynesian ideas were criticized in Estonia (see Raudla and Kattel 2011), in light of increasing acceptance of the Keynesian ideas following the crisis period in the international arena, the officials have felt the need to justify their policies also in those terms (see Raudla et al. 2016a, b). On the other hand, as discussed above, the interviews also indicate that there is clear reluctance by the fiscal bureaucracy to engage in borrowing, which would constrain implementing Keynesian policy actions in reality. In Latvia, on the one hand, the interviewees acknowledge that the Keynesian ideas of stabilizing the economy with fiscal measures are important, but, on the other hand, they are still convinced of the non-Keynesian effects of fiscal consolidation and are also sceptical of engaging in borrowing. As one of the officials explained, “If we compare the Keynesian theory that is taught in the university with what is going on in real life, we can see that the case of Latvia proves that in general we could restore growth by taking the path of expenditure cuts” (Interview L3).

As the discussion above shows, fiscal bureaucracies have more varied “faces” than just the “lean mean guardian”. The interviews indicate that the “guardian vs developer” continuum we proposed can indeed be a useful heuristic for exploring the role(s) of fiscal bureaucracy in a comparative setting. Overall, most of the fiscal bureaucrats especially in Norway but also in Sweden are closer to the “developer” role than the officials in Estonia and Latvia. At the same time, however, the interviews indicate that there can be considerable diversity in the role orientations also among the fiscal bureaucrats within the same country. Especially with the officials working for the budget departments – responsible for compiling the annual budget – the “guardian” orientation is dominant, whereas the civil servants from other parts of the fiscal bureaucracy tend to have more “developer” orientations. We can also see from the interviews that working in fiscal bureaucracy can often entail oscillation between the guardian and the developer role, with the civil servants trying to find a complicated balance between the contradictory demands placed on them. With the paradigm fights about the role of fiscal policy unfolding on the international arena, the fiscal bureaucracies are also likely to find themselves in the cross-fire of incongruous ideas, which may make it difficult to devise a more coherent policy agenda.

3. Initiators vs Followers

The second dichotomy for examining the roles of fiscal bureaucracy entails looking at whether the civil servants initiate policy changes or view themselves in the role of a “follower” who implements the decisions coming from “above”. As emerged from the interviews, it would be fruitful, however, to explore the “initiator vs follower” continuum at two levels: first, with regard to the politicians within the country and second, with a view to the supra-national context of policy-making and especially with reference to the European Union.

3.1 Bureaucrats vis-à-vis Politicians

The classical Weberian dichotomy of politicians setting goals and drawing up laws and policies, and administrators implementing them has long been questioned (Baekgaard et al. 2015; Hansen and Ejersbo 2002; Page and Jenkins 2005; Svava 1998). The division of labour between politicians and administrators is more complex – and their interactions and roles more diverse – than this dichotomy conveys. Administrators can be closely involved in formulating policy objectives, and politicians may be involved in specific constituency cases (Hansen and Ejersbo 2002; Page and Jenkins 2005).

Although the conventional vision often tends to cloak the role of the bureaucrats in “gray robes of anonymous neutrality” (Aberbach et al. 1981, 5), the civil servants working for the fiscal bureaucracy can influence policy-making in various ways. Importantly, they can structure the flow of advice politicians receive (Hall 1989; Page and Jenkins 2005). As Baekgaard et al. (2015) explain, elected officials are likely to consider only “few facets of a multifaceted matter” when paying attention; thus, what “passes through their bottleneck of attention” can be significantly influenced by bureaucracy (Baekgaard et al. 2015, 460) and hence influence the strategic calculations of the elected officials (Oliver and Pemberton 2004). Thus, bureaucrats can play a major role in policy-making by diagnosing problems⁶, outlining alternatives to deal with them, formulating policy proposals, and assessing the feasibility of policy alternatives (Baekgaard et al. 2015; Hecló 1974; Page and Jenkins 2005; Skocpol 1985). In addition to these straightforward avenues for influencing policy-making, the bureaucrats can shape policies by articulating the language of a specific policy, deliberately “framing” and “packaging” certain policy ideas to convince the elected officials (Campbell 1998).

In the field of fiscal policy – with its increasing technicality and need for expert input into devising policies – we can expect the civil servants to play a growing role in policy-making (Peters 2002). As Christensen (2013, 569) has pointed out, “technical expertise can augment the policy influence of officials by increasing their *ability* to set the policy agenda (active role), to evaluate and counter the policy proposals of politicians (reactive role), and to warn politicians about deficiencies of existing policies (proactive role).” On the other hand, it could be argued that the “fiscal” domain is still inherently political (Wildavsky and Caiden 2004), which would make it highly salient to elected officials and hence potentially less permeable to bureaucratic influences (Baekgaard et al. 2015). Indeed, politicians may have less information about technical matters in less salient areas but might be more informed on politically more salient sectors (Baekgaard et al. 2015). Furthermore, as Peters (2002) has posited, civil servants who work for “super-bureaucracies” or coordinating organizations within government, like the finance ministries, are likely to have more “subservient” attitudes vis-à-vis their political masters: “if a civil servant is willing to accept a position in one of these organizations, this implies a willingness to accept the wishes of his political executives” (276). Thus, we might expect the

⁶ Indeed, in addition to proposing policy solutions, they can influence policy through “problem definitions”, and the way problems become framed influences the policy solutions (Mehta 2010).

fiscal bureaucracies to “have a special relationship to politics” and be “charged with implementing the wishes of a government to perhaps a greater extent than civil servants in operating departments” (ibid.).

In order to capture their role in policy-making – and to explore whether they are closer to being active initiators of policies or just neutral followers of political instructions⁷ – we delved into various themes in our interviews, including open questions about how the officials view the existing division of labour between civil servants and elected officials in fiscal policy-making, where new initiatives tend to come from, and what the officials view as the main contribution to fiscal policy-making.

Overall attitudes towards politicians' role in fiscal policy-making

While all the interviewees in all four countries emphasized that in a democracy, final policy decisions should be taken by politicians, we could also observe considerable variations among the interviewed officials in their assessments of politicians' role in fiscal policy-making.

There were significant differences between the countries with regard to how much the civil servants *trust* the politicians. As was already pointed out in section 2, in Estonia and Latvia, the civil servants display considerable degrees of distrust towards the elected officials. In Estonia, the mistrust concerns primarily how the politicians spend the borrowed money, whereas in Latvia it pertains to “excessive” fiscal profligacy of the politicians overall, alongside with the misgivings about their spending priorities. In the words of the officials: “This idea about fiscal discipline, is the idea that we are nursing [within the bureaucracy], and not really an idea that comes from politicians” (Interview L2). “In the heads of politicians, it seems that the idea of a strict framework for fiscal policy, that you have to save in the good years in order to spend in the bad ones, is still not acceptable” (Interview L2). “The political parties are too populist in their approach to fiscal policy. We still have a long way to go to political maturity” (Interview L3). In contrast, in the Swedish and Norwegian context, the trust towards politicians seems to be considerably higher than in Estonia or Latvia. As one of the Norwegian officials explained, “We may rely more on political decisions than some other countries, for instance Sweden. But I think that it is closer to the democratic ideal. From my point of view, I cannot really see any huge costs in involving politicians – Norwegian politicians at least – in quite a lot of issues, because I don't really feel that they have a polluted agenda or agenda that somehow makes decisions less effective to a great extent” (Interview N1). Another interviewee explained, “In the academic world, many researchers take the opposite view, that you need fiscal councils, you need fiscal rules to prevent the politicians from doing something irresponsible, which they would always do. And that is taken

⁷ According to the existing literature (e.g. Hecló 1975), we could, in principle, label the “followers” as “neutral competents”. However, since the initiators are also likely to be highly competent, the initiators vs neutral competents dichotomy might be somewhat misleading. The “follower vs initiator” dichotomy helps us more accurately to capture the differences in the overall stance that the bureaucrats may have towards policy-making.

as given. The starting point in Norway is completely different. There are not that many people involved in fiscal policy: it is the minister of finance, it is the prime minister, a few people in the parliament. And they take the responsibility, and they should take the responsibility, and we should not weaken them in any way. It has worked well so far” (Interview N3).

It is also noteworthy that despite the frustrations that fiscal bureaucrats may have vis-à-vis their political masters, especially in Estonia and Latvia, they do appear to appreciate “clarity” and “decisiveness” from their principals. One of the Latvian officials explained it as follows, “It is very difficult for bureaucrats to suggest and to develop policy, if the position from the political side isn’t really clear” (Interview L2). Another noted, “Since the budget is the main instrument for governing the country, it is the task of politicians. There should be a clear position in their political programmes whether they see the country as more social democratic or more liberal” (Interview L3). One of the Estonian interviewees complained that “If policy initiatives come from the politicians, these are often populist slogans” (Interview E3). Another official argued that “Politicians should be more decisive, in the sense that painful decisions should be made earlier in the budgetary cycle (e.g. in spring) and not in the fall. They keep on hoping that if they postpone a painful decision, maybe things improve and they don’t have to adopt it” (Interview E1).

With regard to the advice fiscal bureaucracies give to politicians, we could observe varying perceptions of how it plays out. On the one hand, there were officials – especially in Norway – who appreciated the political need for *advice*. “What is nice about how things function in this house [the Ministry of Finance] is that politicians want our advice. That’s without exception really. We change governments but they want to have advice” (Interview N1). “It is fair to say that politicians listen to us to a large extent. Compared to other countries, I think we have influence on fiscal policy” (Interview N2). On the other hand, several interviewees in Estonia and Latvia complained that the politicians do not ask or listen to the bureaucracy’s advice sufficiently. One of the Latvian officials noted, “Unfortunately, when politicians make decisions, they don’t often consult with bureaucrats or listen to them before making that decision” (Interview L3). An Estonian official quipped, “Ideally, politicians should say what the problem is and civil servants could then outline alternative solutions to the problem. However, politicians don’t usually start with formulating a problem that needs to be solved but already come with a solution” (Interview E3).

Where do policy initiatives come from? How much freedom do the officials have in making the proposals?

In all four countries, according to our interviews, fiscal bureaucrats play an active role in identifying policy problems, initiating policies, formulating policy proposals, communicating them to the elected officials, and persuading them. Thus, they do not just wait for signals from their political principals but also act on their own initiative. Overall, our interviews indicate that policy proposals tend to originate *more* from the civil servants than from the politicians. As an Estonian official stated, “We have taken the role of policy designers and don’t expect guidelines from the government” (interview E4). In the words of a Norwegian official, “We are not just sitting

and waiting. We are worried all the time” (Interview N2). In all countries, the officials pointed to varying success in persuading the elected officials of their proposals – sometimes they succeed, sometimes they did not.

Also, in all countries, the interviewees noted that the civil servants usually make a proposal with regard to what the *budget position* should be (e.g. how large the deficit or surplus should be) whereas the politicians are responsible for the *expenditure and revenue* decisions. Even here, however, the civil servants sometimes have to venture into more political domains: “If politicians want to spend more, we may get a task to find revenues for covering those – and finding new revenues entails making political proposals” (Interview E2).

In the Norwegian context, the important role of *committees* in generating policy proposals was noted as well, “It is often so that if the politicians want something to be done in an area, they set up a commission that figures out how to do it” (Interview N2). The interviewees also explained that while in many other countries such commissions are totally independent from the ministries, in Norway, the civil servants usually form the secretariat for these commissions. Thus, the close connection to these committees gives the Norwegian fiscal bureaucracy additional clout in making policy proposals.

The fiscal bureaucrats in all four countries noted that in the power balance between the civil servants and the elected officials, *information* plays a major role. As one of the Estonian officials put it, “Politicians don’t often understand many topics in fiscal policy. Thus, our role is to help them decide. ... They could have a bigger role in fiscal policy-making if they were more informed” (Interview E2). Another noted, “Cabinet meetings are short; so we [the finance ministry] are the competence centre that has all the necessary information” (Interview E4). A Latvian civil servant explained it as follows: “In reality, the Ministry of Finance has relatively few constraints, because a significant amount of the proposals come from bureaucracy. Elected officials have very few things to offer because they don’t have access to information and the analytical capacity. Macro-level objectives are set by politicians but when it comes to the mechanisms and means to reach these objectives, the bureaucracy plays a great role and has substantial freedom. Often there isn’t really a high quality alternative solution to what bureaucracy offers” (Interview L4). A Swedish official also noted, “When you are dealing with the technical details, then of course civil servants can influence decisions. ... But we try to influence the bigger decisions as well ... with the help of models and calculations” (Interview S5). At the same time, in the Swedish case, it was emphasized several times that Andres Borg, for example, was technically very competent as a finance minister, and that gave him significant power vis-à-vis the bureaucracy in the finance ministry. In Latvia, too, it was noted that when Valdis Dombrovskis (a former chief economist at the Bank of Latvia) was prime minister and Andris Vilks (a former chief economist of the SEB Latvian branch) was the finance minister, both considered to be very competent economists, the politicians’ power vis-à-vis the civil servants was considerably enhanced.

With regard to how *free* the civil servants feel in making policy proposals, most of the interviewees in all four countries perceive that they have considerable freedom. In the Estonian context, however, we could observe diverging assessments

about that. While some of the interviewed Estonian officials feel that they are free to propose any ideas and policy alternatives to the politicians, others (especially from the lower ranks of the hierarchy) believe that they have to exercise some “self-restraint”. As one of the officials put it, “We are free to make proposals but everybody knows which proposals are worth making. ... Certain fundamentals are fixed and cannot be challenged and there is not much to discuss” (Interview E1). Another admitted, “There is a lot of self-censorship among civil servants with regard to fiscal policy ideas. Everybody knows which ideas are welcome and which not. The survival instinct is strong and nobody wants to have a conflict with a superior during uncertain economic times” (Interview E3). He added that “Together with some colleagues we have tried to expand the range of topics to discuss but without any real outlet. For most other officials the parameters of fiscal policy are so fixed that they don’t even attempt to think outside it” (Interview E3).

In sum, although according to the predictions of Peters (2000), fiscal bureaucrats should have relatively “harmonious” relationships with their political masters – approximating what he calls the “Village Life” model of political-administrative relations, with the elected officials and the civil servants sharing common values and policy goals – our interviews indicate that this is not necessarily the case. While in Sweden and especially Norway, the interactions between politicians and civil servants in fiscal bureaucracy come pretty close to the depiction of the “Village Life”, the relationships between the fiscal bureaucrats and politicians are considerably more adversarial in Estonia and especially Latvia, where we can observe considerable degrees of distrust towards the political masters.

3.2 Fiscal Bureaucracy vis-à-vis the European Union

On the one hand, fiscal bureaucracies can choose where they fall on the “initiator vs follower” role vis-à-vis the political “masters” in their own country. On the other hand, the civil servants can also play the follower vs initiator role in the supranational context. This dimension is particularly relevant for Estonia and Latvia, which are both members of the EU and the Eurozone but also for Sweden, which is a member of the EU. Given the increasing role of the financial dimension in the EU, we can expect there to be close interactions between the fiscal bureaucrats and the EU in those three countries. Yesilkagit (2012, 28) even goes as far as to conjecture that finance ministries “have essentially become the national branches of the European Commission rather than ministries of the national state.”

In the EU context, the civil servants of the member states play an important part by negotiating and bargaining with other countries’ civil servants in Brussels (Börzel and Risse 2003; Radaelli 2003, 2008; Weiler 1999; Yesilkagit 2012). Also, bureaucratic responses to EU mandates influence significantly whether and how EU policies get implemented at the national level (Knill and Lenschow 2005). Thus, in communicating between the national and the European levels they can help to mediate “the forces of integration and Europeanization” (Jordan 2003, 268). On the continuum of initiator vs follower, the fiscal bureaucrats can occupy different positions in the supranational context. First, domestic civil servants can take an active initiator role and attempt to upload “national models by defining the scope of issues before

they become solidified in Commission proposals” and to work “in EU committees to mitigate the potential impact of new legislation before it is ‘downloaded’ from the EU” (Jordan 2003, 268). Or, they can assume the role of a “reluctant follower” or even “saboteur”: if the national preferences are not reflected in the EU decisions, they can seek to minimize adjustment costs by engaging in partial (rather than full) implementation (Jordan 2003; Knill and Lenschow 2005). They can also play a significant role by “translating” a new rule into the local context and offering localized re-(interpretations) of the rules (Campbell 2004; Gutierrez 2010; Irvine 2011). Or, they can adopt a predominantly “follower” role by just transposing the EU mandates.

It is also likely that the increasing involvement of the fiscal bureaucracies in the supra-national policy-making venues of the European Union is likely to affect the bureaucrats’ interactions with elected officials in their own countries. Yesilkagit (2012, 20) has noted that despite the growing role of the EU in the political lives of its member states, very little is known about the possible effects of Europeanization on the relationships between politicians and bureaucrats.

Our interviews indicate that while the fiscal bureaucracies in Estonia and Latvia tend to be “initiators” vis-à-vis the politicians in their own countries, they are very much in the “follower” role in the multi-level governance context of the EU. All the interviewed officials in both Estonia and Latvia repeatedly emphasized that the main directions of fiscal policy in their country is shaped by the European Union. As one of the Latvian officials put it, “It wouldn’t be correct to state that we develop our own fiscal policy in Latvia. I would even go as far as to say that fiscal policy here is the EU fiscal policy” (Interview L3). Participation in EU policy-making does empower the bureaucrats vis-à-vis their political masters, by increasing their technical knowledge and also by giving them a clear starting point in proposing and drafting legislation. However, at least in the small-country contexts of Estonia and Latvia, the bureaucrats tend to be predominantly in a “follower” position vis-à-vis the supra-national authorities.

In Sweden, the officials have adopted much less of a “follower” approach in relation to the European Union. One of the interviewed officials stated that the EU does not affect fiscal policy debates in Sweden significantly. He added, “I think we have finally signed the fiscal pact, or whatever it is called, but we said that we won’t apply it. So we are in it with the typical Swedish EU attitude – we are in but not really” (Interview S1). Another official emphasized that Sweden created its fiscal framework with the expenditure ceilings, surplus target and the fiscal council on its own initiative; thus, “other countries have learnt from us” (Interview S6). Another interviewee noted that Sweden has designed “a pretty good system for fiscal policy”, and the officials like the approach; hence, “the EU coming, saying ‘you should do this now’ can irritate a lot of people here” (Interview S3). He added that the approach to policy-making in Sweden is very much consensus-based and the EU saying “this is how you should do that ...” is just not the right way to approach Sweden, if they want it to be on board.

The Norwegian officials noted that the EU does not play an important role in fiscal policy-making in Norway. Out of the external actors, the OECD appears to have a more significant influence than the EU on the adopted reforms. For example, the OECD report recommended a productivity reform, which was adopted (Interview N4).

In sum, it appears that using the “initiator vs follower” continuum for comparatively exploring fiscal bureaucracies in different countries can provide useful insights about the varying roles civil servants can play in fiscal policy-making. We can also see that being an “initiator” in the national arena does not automatically translate into being an “initiator” in the supra-national setting. While in Estonia and Latvia, the fiscal bureaucracies assume very much an initiator role vis-à-vis the politicians in their own countries, they play a predominantly follower role in the EU context. We can also see that although Sweden, like Estonia and Latvia, is a member of the EU, the fiscal bureaucrats there have less of a “follower” attitude and more of a “bargainer” attitude in relation to the EU. In Norway, in contrast, the civil servants view themselves to be in more of a “follower” position vis-à-vis elected officials but not internationally speaking.

We can also see that – as was the case with the “guardian vs developer” continuum – the role space of “initiator vs follower” can be characterized by contradictory attitudes and demands, especially in the Estonian and Latvian context. The fiscal bureaucrats in those countries complain that the politicians do not listen to their advice but at the same time, they would like elected officials to be clearer in their directions and more decisive. In those two countries, the civil servants feel that in a democracy, the politicians should play a major role in fiscal policy but, at the same time, believe that the civil servants should play a dominant role in fiscal policy because the politicians cannot always be trusted to act responsibly. Indeed, the glaring contrast between how much the Baltic (especially Latvian) officials distrust the politicians and how much more positively the Norwegian bureaucrats view the elected officials is one of the starkest differences we found from a comparative perspective. Another important observation that emerged from the interviews is that when we ask fiscal bureaucracies whether they feel free to propose policies and give advice, the reported “freedom” can also be constrained by self-censorship.

4. Insulators vs Mediators

In addition to the “faces” of fiscal bureaucracy in their relations with the political principals, the line ministries and the EU, the civil servants can also assume different roles in how they interact with independent actors outside the government. Given the potential contributions academics and social partners (i.e. the employees’ and employers’ associations) can make to fiscal policy-making, we zoom in on whether the fiscal bureaucracies view themselves as “mediating” these inputs or, in contrast, attempt to “insulate” fiscal policy-making from these influences.

4.1 Academia

The fiscal bureaucracy can serve the role of “mediators” between knowledge suppliers in academia and the government (Howlett 2011) or, in contrast, attempt to “insulate” fiscal policy-making from ongoing academic debates and analyses. Academic studies can be used for raising issues, formulating new policies, evaluating existing programmes, changing ways of thinking, and mobilizing support (Weiss and Bucuvalas 1980). Scholarly research can be utilized before a policy-related decision is taken or used afterwards for confirming or legitimizing a decision already

taken (Rich 1997; Schrefler 2010). In Weiss's (1980) terminology, by bringing in academic research to the policy-making process, civil servants can also trigger "knowledge creep" throughout the organization. Thus, the permeability of the fiscal bureaucracies to academia can potentially play a relevant role in policy-making (Campbell and Pedersen 2011; Hall 1989; Pekkarinen 1989; Weir 1989; Weir and Skocpol 1985). The more open the civil servants are to advice from outside economists, the faster the developments in economic theory can be incorporated into policy; conversely, the more insulated the bureaucracy is from academic advice, the more slowly the policy shifts are likely to unfold (Hall 1989; Weir 1989).

According to "rationalistic" approaches to policy-making, civil servants systematically seek out and use policy-relevant *research* in their policy field in order to enhance policy outcomes (Bennett and Howlett 1992; Howlett 2009; 2011; Schrefler 2010). Also, Hansen and Ejersbo (2002) argue that administrators are more likely to be driven by "deductive" logic of action, whereas politicians follow a more "inductive" logic. Given the "deductive" logic followed by academia, civil servants can hence play an important role since it follows their "deductive" orientation as well.

Many studies, however, have pointed to rather limited use of scholarly research in policy learning (Caplan 1979; Howlett 2011; Landry et al. 2003; Oh 1996; Rich and Oh 2000), resulting from problems in both the supply and demand of scholarly research. First, in order to be utilized for policy learning, pertinent research on the policy issues has to be produced by the academics in the first place (Weiss and Bucuvalas 1980). Second, civil servants may face time and resource constraints in collecting, analyzing and interpreting the research findings from the academic community (Howlett 2009; Wildavsky 1969), especially if the interactions between the two communities are limited (Landry et al. 2003). Also, the language of scholarly research may not be easily accessible to civil servants, and the focus of the studies may not correspond to their informational needs (Caplan 1979; Landry et al. 2003). Third, the civil servants belonging to the fiscal bureaucracy – in light of the ideological aspects of fiscal policy – may face pressures to follow the ideological line of the elected officials in power and hence discount scholarly evidence that goes against the prevailing ideological position (Hird 2005).

On the scale of "mediators vs insulators", the fiscal bureaucracies in Estonia and Latvia appear to be closer to the insulator end. All interviewees noted that there are no formal routines for interacting with the academics, and if there are contacts, these are based on informal personal networks. Most of the interviewees in both countries noted that they do not have the time to read academic works, and if they do read anything "academic", it usually comes from the EU, the OECD or the International Monetary Fund (IMF). As one of the Estonian officials explained it, "In the European Union, there is a big machinery that digests the academic studies and we can get an overview from them. I don't keep a close eye on academic discussions but I do pay attention when these discussions reach to the level of the EU or IMF" (Interview E2). Thus, it appears that the "follower" role vis-à-vis international organizations – discussed in the previous section – can spill over to absorbing academic studies as well.

The Estonian officials complained that the research conducted in Estonia on fiscal policy issues often lags behind policy needs or is driven by specific ideological positions. In the words of an interviewee, "In many cases, the academics don't have

the most recent information and it takes time until they figure things out” (Interview E2). In Latvia, several interviewees noted that there is almost no research or academic debate conducted in Latvia about fiscal and/or budgetary policy.

In Sweden and Norway, in contrast, our interviews indicate that the fiscal bureaucracies appear to be closer to the “mediator” than the “insulator” part of the scale: they have more systematic and open interactions with the academics in their countries.

The interviewees in Sweden noted that several aspects of the Swedish fiscal framework (e.g. the fiscal council, the expenditure ceilings) were inspired by academic research. One of the Swedish officials explained that when Andres Borg came to office, he wanted to have more PhD level economists in the MoF and also “more academic research to back up their claims on what they wanted to do”. Borg “thought of himself as being very academic and wanted to use modern research to find the best way forward” (Interview S3).

In Norway, most of the interviewees noted that they are not able to follow academic debates and read scholarly works as much as they would like to, due to time constraints, but academic research does play a role in the decision-making on fiscal policy. As one of the interviewees explained, “Before we introduced the fiscal rule, we scanned the economic literature on those kind of topics to see what’s done in other countries and what is written in academic journals” (Interview N2). Another official noted, “The question the ministry faces at the moment is: what should be the equity share of the pension fund. Should we increase it to 70 or 80 per cent or should it be reduced to 50? In that discussion, they of course draw on the research front internationally. When we have that kind of questions, then we are, of course, reading a lot” (Interview N2). At the same time, the interviewee added, “But we are a ministry and not a research institution, so most of our work is in between academics and politicians” (Interview N2).

Importantly, regular contacts between academics and the fiscal bureaucracy in Norway take place via committees, established for various topics. One of the interviewees noted that these committees also summarize current academic knowledge on the topic (Interview N2). Another interviewee remarked, “A few years ago we established a modelling committee, where academics from the outside take part. Mainly professors, alongside in-house experts, as participants” (Interview N1). As mentioned in section 3, the MoF officials are actively involved in such committees themselves, which provides them with regular exposure to the academics. Such an attitude towards committees contrasts clearly with what was observed in the Estonian case, where all of the interviews were sceptical of using the committee format. One of the interviewed officials even quipped, “If we don’t want to solve a problem, we set up a committee” (Interview E2). With regard to involving outsiders in discussing models, another Estonian interviewee noted, “There are no open discussions about models: it is technical work and there is not much to discuss” (Interview E1).

In addition to the topical committees, the MoF officials in Norway took the initiative in setting up an academic advisory panel to the ministry: “We felt we needed to have a more regular contact with the academic world” (Interview N3). This panel is a forum for discussion of state-of-the-art research (models and methods), not for policy advice. The interviewee noted that the advisory panel has been very useful for

the ministry but also for the academics who have participated: “Fiscal policy is really very interesting, but no ministries of finance have research departments. And the universities and academics find it more difficult to analyze fiscal policy because it is so complex and so difficult to understand. By having an advisory panel and more regular contacts, it is easier for them to read budget documents. And it may open up more research on fiscal policy, which would be good, I think” (Interview N3).

4.2 The social partners

In addition to acting as mediators between academia and policy-making, bureaucrats can influence which interest groups would be included in policy-making and which not (Rose 1987; Page 1987). Interest groups could be the source of expertise that can be used by officials to enhance their position, and civil servants could also be involved in mobilizing consent from the interest groups (Rose 1987). We were specifically interested in whether the fiscal bureaucracies play a role in mediating the positions of the *social partners* (i.e. employers’ unions and trade unions) in fiscal policy-making. Varieties of capitalism research have long argued that different institutional frameworks provide different kinds of engagement opportunities for interest groups. Coordinated market economies rely on a complex web of socio-political and administrative relations with institutional pathways to engage social partners while liberal market economies rely on fluid competitive institutions, where access and engagement patterns can shift quickly (Hall and Soskice 2001). While Norway and Sweden represent coordinated market economies, the neoliberal Estonia and Latvia are closer to the liberal model (Bohle and Greskovits 2012). In our context, the exact features of different types of capitalism matter less than an overall expectation that the economic and institutional context would predict a different role for fiscal bureaucracies, as well, vis-à-vis social partners.

In Estonia, Latvia and Sweden, the fiscal bureaucrats themselves appear to have no regular or formal contacts with the representatives of social partners. The interviewees remarked that while the social partners may have more direct contacts with elected officials, the bureaucracy does not play a mediating role here. As for Sweden, that country had fairly extensive corporatist consultation through the early post-war period, but there was a striking reversal since the early 1990s. Employers exited from all such cooperative boards, and the union confederation (LO) has been significantly weakened. One of the Swedish interviewees noted that while labour party politicians of course have ties with the unions, “there are no organized meetings with the social partners in the finance ministry where we would discuss the budget for the next years” (Interview S6). In Estonia, the officials noted that it would not even be meaningful to directly involve the social partners in fiscal policy discussions. One of the interviewees put it as follows, “It is already known what the position is – so there is no point in asking” (Interview E3). Another noted, “It would only make sense to involve them if they [the social partners] were a lot smarter and understood the economic cycle and other budgetary issues” (Interview E2).

In Norway, the fiscal bureaucrats have more direct contacts with the social partners through the above-mentioned committees. As one of the interviewees explained it, if the finance ministry is faced with a problem, it creates a committee and invites

external actors to participate in it, and depending on the topic of the commission, social partners can also be included (Interview N1). Another added that the social partners “influence [fiscal policy-making] through their participation in commissions – that is an important channel for them” (Interview N4).

In sum, the fiscal bureaucracies in Estonia and Latvia fall closer to the “insulator” end of the continuum both with regard to academics and social partners. In Sweden, they play a more extensive mediator role with academics but less so with social partners, whereas in Norway the fiscal bureaucrats are close to the mediator end of the spectrum vis-à-vis both sets of actors. In the Estonian and Latvian cases, it is interesting to observe that alongside politicians, the fiscal bureaucrats also distrust other local societal actors – like academics and social partners – whereas they have extensive trust in the machinery of the EU “digesting” worthwhile academic materials for them. In the Norwegian case, it appears that the regular interactions fiscal bureaucracies have with the academics and social partners via committees help to build a more trustful stance of the civil servants towards those actors, which, conversely, addresses and alleviates some of the supply problems that can often undermine the utilization of academic research in policy-making.

5. Modellers vs Estimators

In their role as analysts, fiscal bureaucracies can vary with regard to how extensively they use sophisticated (macroeconomic) models for their work. This was a clear difference that emerged from comparing the cases covered in our study: the fiscal bureaucrats in Estonia and Latvia use relatively simple models, whereas their Swedish and especially Norwegian counterparts use elaborate and complicated models.⁸ Although there have been studies that have spelled out the implications of macroeconomic models for policy-making (e.g. Chari and Kehoe 2006) and make normative recommendations about how such models could be used in fiscal policy (e.g. Kremer et al. 2006), the literature on how models are actually used in policy work is considerably “thinner” (den Butter and Morgan 1998, 445). Indeed, we could not find any “positively oriented” *theoretical* works that systematically discussed the use of models by fiscal bureaucracies and could serve as a foundation for comparative analyses. Thus, the discussion on the “modeller vs estimator” continuum we are proposing here is very much exploratory in nature and could be used as a starting point for more systematic analyses in the future.

As our interviews indicate, in Estonia and Latvia, the fiscal bureaucracies use smaller models for estimating tax revenues and expenditures but do not utilize a general macroeconomic model. On the one hand, the Estonian officials noted that they do not have capacities for developing and using such a model. As one of the interviewees remarked, “The central bank has a macroeconomic equilibrium model but they also have ten analysts with PhDs working on it; we [in MoF] have altogether three analysts working with economic analysis” (Interview E3). Another noted, “In Sweden and Denmark, for example, they have long time frames on the

⁸ A comparison of macroeconomic expertise and use of models in all five Nordic countries is available in Mjøset (2011, 399-408).

individual level: consumption, wage changes, etc. They have more capacity to build models. We don't have statistical capacities to collect such data" (Interview E1). On the other hand, the Estonian officials expressed scepticism whether using a macro-economic model would make sense in the Estonian context, given the short period for which data is available, the volatility of the economy and ongoing structural changes (Interviews E1, E2). Similarly, in the Latvian context, the fiscal bureaucrats expressed scepticism with regard to how useful a general equilibrium model (e.g. Dynamic Stochastic General Equilibrium (DSGE) model) would be for fiscal policy-making. As in Estonia, they referred to the lack of data and short time frames, "For structural models you need input-output tables, which, for the period of the last 20 years we probably have for three years" (Interview L4). The interviewee added, "I know that the Bank of Latvia has developed a general equilibrium (DSGE) model, but the reliability of this model in the Latvian conditions is ... let's say expert evaluation at times is more reliable and better" (Interview L4).

Increasingly, however, in both countries there are more extensive debates on which models to use in estimating the cyclical position of the economy and its impact on budgetary fiscal policy due to the fiscal rules of the Fiscal Compact. As shown by Raudla et al. (2016a, b), the diverging assessments of the cyclical position of the economy by the EU and the MoFs have triggered discussions on the models used in fiscal policy-making in both countries.

In Norway, there is already a long tradition of using extensive macro-economic models in budgetary and fiscal policy-making (Bjerkholt 1998). Currently, the main model used is called Modag – a big and detailed input-output-based model in the Cowles commission tradition, maintained by Statistics Norway for the government – in the fiscal policy-making process, inter alia, for assessing the effects of fiscal policy on the economy (Interviews N2, N3, N5).⁹ One of the Norwegian interviewees emphasized that for the purposes of fiscal policy, the MoF needed a lot more detailed input on the public sector than a typical DSGE model had (Interview N1), as the latter relied on national accounts data only, not on input-output tables.¹⁰ Indeed, while in other countries, the input-output analyses have been used for long-term planning, in Norway, they are also used for short-term planning in fiscal policy. Also, in other countries, the macroeconomic models used are much more aggregated, whereas in Norway, the models are highly detailed, comprising thousands of entries (Bjerkholt 1998). Another official noted, however, that over time, the role of the Modag model has diminished and the analyses are complemented with input from other smaller models and also expert analysis. As he explained: "So it helps us, but it does not have the same prominent role as it may have had before, going back 15-20 years. ... We don't think that the model has all the mechanisms that are in operation in the economy. Often you need to think outside the model. ... So very often the results that we present in our analysis and in the budget paper are partly based on Modag, partly our own judgement, and partly also other models." (Interview N3) Since 2017, a new, quarterly version of Modag, now called Kvarts, will be supplied

⁹ The interviewees also noted that it is a very Keynesian model (Interview N2).

¹⁰ For overviews of the development of different economic models used in Norway, see Bjerkholt (1998).

by Statistics Norway to MoF. The change from a yearly to a quarterly version will improve on some of the challenges mentioned.

In using the models like Kvarts, the MoF relies significantly on Statistics Norway (SN), which has the right to collect detailed data from firms and households. SN is exceptional when compared to other statistical bureaus in the world for it not only collects data but also has a large economic research department – in fact one of the largest research institutions in Norway – that builds and runs macro, micro and tax models (Anderson et al. 2006; Bjerkholt 1998). In developing the models the SN takes into account the specific needs MoF has for fiscal and budgetary policy-making. Indeed, the development of the different models has emerged from close interactions between the officials in the MoF and SN – and the models serve the specific needs of using the national budget as a planning tool (Bjerkholt 1998). Historically, Norway developed a specific constellation – called the “iron triangle” – between the national economics profession, the MoF and the applied research unit at SN (Mjøset 2011). However, since the 1990s, views within the economics profession have become more diverse, the central bank has its own research units based on DSGE models (although much smaller than in Sweden), and lately, some political networks have also become more sceptical about the key role of SN’s macroeconomic researchers. Our Norwegian interviews indicated that some of the MoF’s fiscal policy bureaucrats want to work with a broader selection of models. As already noted, MoF now also has a panel where professors together with in-house experts meet and discuss regularly (Interview N1).

In Sweden, as well, the fiscal bureaucracy is using several macroeconomic models. The interviewees had a critical stance towards the “mainstream” DSGE model used by the central bank, since it did not include a financial sector or unemployment. Hence, in the models they use themselves, they also include “the stock market, the housing market, how it affects wealth, and wealth affects consumption, for instance. So there is a link between the financial sector and the real sector in the economy” (Interview S5). However, the main centre for macroeconomic theory in Sweden is the central bank, and it works exclusively with DSGE-models. The macroeconomic modelling pursued in other units is empiricist exercises with econometrics. The difference to Norway in this respect is considerable.

In sum, the fiscal bureaucrats in Sweden and Norway are closer to the “modeller” end of the continuum than the Estonian and Latvian officials. Still, it is worth noting that even in the case of Norway, the fiscal bureaucrats do not just blindly trust their sophisticated models but use them cautiously.

It is likely that the location on this continuum can intersect in important ways with the other abovementioned roles. Indeed, it can be conjectured that the more elaborate and sophisticated models available to the fiscal bureaucrats in Sweden and Norway also enable them to play a more confident role as a “developer”. On the other hand, a more active mediator role vis-à-vis the academics can also allow the fiscal bureaucracies in those countries to improve their models. Also, as our exploratory analysis indicates, the resources available for the fiscal bureaucrats to develop and use macroeconomic models is an important dimension: the use and maintenance of sophisticated models is more feasible in more prosperous countries and more challenging in the less wealthy ones.

6. Discussion and Conclusion

In light of the growing importance of finance ministries and the “financial” dimension in policy-making, opening up the “black box” of fiscal bureaucracies is more warranted than ever. The goal of our paper was to put forth a set of dichotomies – or, continuums, to be more precise – for analyzing, in a more nuanced way than has been done in the academic literature so far, the different roles of fiscal bureaucracies. We used the proposed dichotomies – developers vs guardians, initiators vs followers, mediators vs insulators and modellers vs estimators – to explore the fiscal bureaucracies in Estonia, Latvia, Sweden and Norway. Figure 1 depicts the different roles of fiscal bureaucracies we have discussed in this paper and the main interactions with other actors these roles entail.

The taxonomy we proposed served as a useful heuristic for exploring the similarities and differences between the countries but also within them. Overall, we can see that fiscal bureaucracies in Estonia and Latvia tend to be closer to the guardian-insulator-estimator ends of the continuums, whereas the officials in Sweden and especially Norway lean towards the developer-mediator-modeller end of the scale. This can be related to the basic contrasts that we mentioned at the outset. As young democracies, relatively recent additions to a Western European world marked by tense interplay between financialization and European integration since 2008, the fiscal policy bureaucracies of Estonia and Latvia cannot draw on much national capacity in their fields. They thus emphasize the traditional treasury, “guardian” role, they strive to insulate economic policy decisions from both politicians, academics and social partners. In terms of macroeconomic assessment, they also show more dependence on the EU than what Sweden does. Our two Nordic cases, in contrast, are richer countries with institutions that link expert knowledge (data and models) to economic policy-making. They have more capacity both for fine-tuning and structural policies that develop the economy. Still, the differences are considerable between Sweden and Norway, with the latter displaying stronger institutional continuities with the early post-war period. In Sweden, patterns of mediation are not as strong as they used to be, and the models are general ones based on aggregate national accounts data. These contrasts have grown since the 1970s, as Norway embarked on its development as an oil-exporting economy, while in Sweden, manufacturing firms became highly internationalized, making industrial interests less reliant on the state.

The division between the initiator vs follower roles is less clear-cut. In Estonia and Latvia, the fiscal bureaucrats tend to serve the initiator role domestically but are clearly in the follower position in the context of the supra-national decision-making of the EU. In Norway, the fiscal bureaucrats are freer vis-à-vis the international dimension but tend to give the politicians a more prominent role than in the other countries. Even Sweden is closer to this “village life” pattern.

Different Faces of Fiscal Bureaucracy

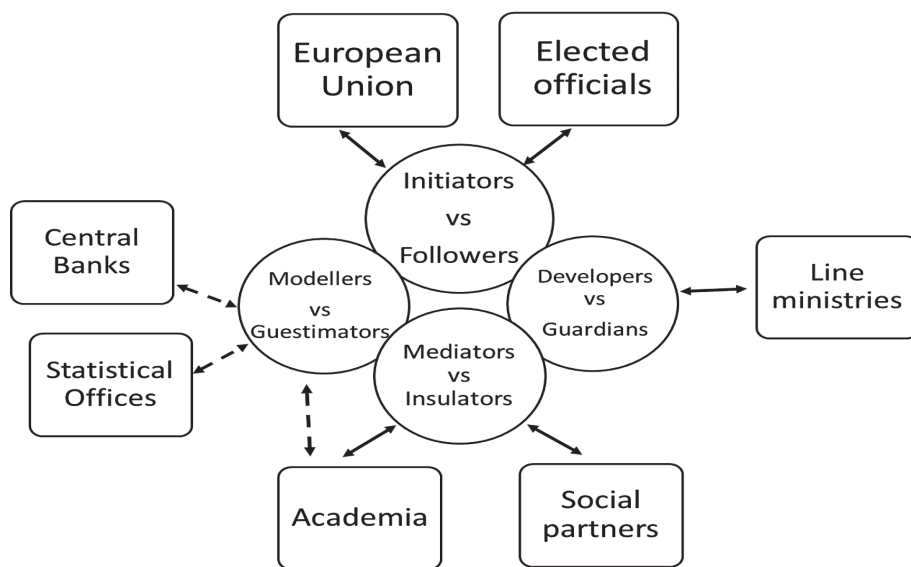


Figure 1: **Different roles of Fiscal Bureaucracy**

Our interviews also indicate that fiscal bureaucrats often have to balance contradictory demands placed on them and, indeed, their “faces” appear paradoxical at times. For example, the officials feel that politicians should listen to their advice but they also expect the elected officials to be more decisive and know what they want (e.g. in Latvia). Or, they claim that fiscal policy should be used counter-cyclically but are reluctant to incur loans (as in Estonia and Latvia). Or, they claim that they are “free” to make policy proposals but at the same time, exercise self-censorship, since “everybody knows which proposals are welcome and which not” (e.g. in Estonia).

Delineating the taxonomy for exploring the different roles of fiscal bureaucracies is, obviously, only the very first step in shedding more academically driven light on those policy actors. It can be used as a starting point for both further theorizing and empirical studies in the following ways.

First, further research could extend the number of countries covered and explore closer the possible configurations of roles. For example, are developers usually also modellers? If we assume that using fiscal policy for economic development policies needs sophisticated models, this is likely to be the case. Are the insulators more likely to be guardians than developers? If there are fewer interactions with societal interest groups, it might be “easier” to retain the role of the guardian given that the demands for development have fewer opportunities for entering the agenda. Are guardians usually followers or initiators? As emerged from our interviews, the Estonian and Latvian fiscal bureaucrats’ follower role vis-à-vis the EU has strengthened their guardian role vis-à-vis line ministries due to stricter fiscal rules imposed by the EU. Are modellers usually also mediators? As we could see, especially from the Norwegian case, the use of sophisticated models in fiscal policy-making benefit greatly from extensive interactions with academia and other knowledge producers (e.g. statistical offices).

Second, different subtypes under each category we have proposed can be developed. For example, the “developer” category can be divided further into “visionaries” vs “fine-tuners”, “infrastructure promoters vs promoters of broader societal investments”, “conveyers of international funds vs domestic fund-raisers” etc. The “guardian” category could be subdivided into “rule imposers” vs “negotiators”. Under the “mediator” role, we have only discussed interactions with the social partners and the academics, but the list of actors could be expanded to include other types of interest groups.

Third, the interactions between the dichotomies are worth exploring further. For example, in their follower-role vis-à-vis the EU, the Estonian and Latvian fiscal bureaucrats have used the structural funds for “development” purposes and hence have had to assume increasing “developer” roles. Also, in the Baltic countries, especially in Latvia, the follower role vis-à-vis the EU means that the “guardian” role has become re-emphasized due to the stricter fiscal rules imposed by the EU.

Fourth, Figure 1 depicts only the most basic (and predominant) interactions. In reality, the number of external actors involved in the “picture” is considerably larger and the interactions are likely to be overlapping as well. The “guardian vs developer” role could also entail interactions with the elected officials, statistical offices, central banks, the social partners, and the EU. For example, in Norway, the “developer” role of the fiscal bureaucrats is influenced by academia, the statistical office and the social partners. The modeller vs estimator role can also include interrelations with the EU (as it is in Estonia and Latvia) and with the social partners (as is the case in Norway). The societal interest groups can also influence the line ministries and elected officials directly, which would then influence the dynamics that the fiscal bureaucracies have with them. The figure and our discussion focuses on the EU as the main “external actor”, but further studies could expand the list of international organizations (encompass, inter alia, the OECD, the IMF, and the WB). All these more complex interactions could be explored closer in future studies.

Finally, the next steps would involve using this taxonomy (and the configurations of different roles) both as *explanans* and *explanandum*.

On the one hand, scholars could be interested in explaining how fiscal bureaucracies in different countries end up in specific role configurations and uncovering what kind of factors influence that. The configurations of the roles fiscal bureaucracies play are likely to be influenced by overall political and administrative culture, political institutions, recruitment patterns, civil service systems, civil service training, and resource constraints (Christensen 2013; Chwiero 2009; Fourcade 2009; Hecló 1974; Krause 2009; Marier 2005; Peters 2001, 2002). For example, specialized bureaucracies may identify more strongly with professional norms and be more open to new economic ideas – encouraging them to take a more activist approach in policy advice, whereas generalist bureaucracies might identify more closely with the norms of civil service as such, including the boundaries between the role of bureaucrats and elected officials, and hence adopt a more constrained stance towards policy advice (Christensen 2013). Also, open recruitment systems are likely to draw on more extensive expertise and allow easier inflow of new economic ideas (Christensen 2013). In addition, the institutional landscape outside the MoF is likely to influence the roles of fiscal bureaucrats. For example, having a Statistical Office which collects

statistics but also has a large research department with extensive capacities in macroeconomic modelling provides useful inputs for the “modeller” role of the MoF in Norway. The level of affluence is also likely to influence the configurations of roles that fiscal bureaucracies in different countries assume. According to our case studies, the developer-mediator-modeller configuration is more characteristic to affluent countries (Sweden and Norway), while the guardian-insulator-estimator configuration can be observed in the less affluent countries of Estonia and Latvia. Further studies could explore that link systematically and examine the potential mechanisms that link the level of prosperity to the roles fiscal bureaucracies assume.

On the other hand, it would be fruitful to examine the impacts of the different role configurations on policy outcomes, e.g. in terms of economic development, fiscal indicators, and societal indicators.

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Appendix 1: Interviews with fiscal bureaucrats

Estonia:

- E1: 18 August 2014
- E2: 9 September 2014
- E3: 9 September 2014
- E4: 10 September 2014
- E5: 18 August 2014

Latvia:

- L1: 16 September 2014
- L2: 17 September 2014
- L3: 17 September 2014
- L4: 13 October 2014
- L5: 20 October 2014
- L6: 5 June 2015

Norway:

- N1: 8 June 2016
- N2: 8 June 2016
- N3: 16 June 2016
- N4: 16 June 2016
- N5: 17 June 2016

Sweden:

- S1: 21 October 2015
- S2: 21 October 2015
- S3: 10 March 2016
- S4: 10 March 2016
- S5: 10 March 2016
- S6: 14 March 2016

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Narratives on Complexity: Interpretations on Local Government Leadership Change

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ABSTRACT

This article, based on narratives of experienced (born between 1945 and 1950) municipal chief executive officers, investigates changes that challenge leadership in local government. Four factors emerge: the dissolution of municipal boundaries; cooled relations between the State and municipalities; municipal inhabitants' changing role from participatory residents to exacting customers; and fragmentation of local politics. These four changes reveal the diversity of local leaders' everyday environment, illustrating and exploring how day-to-day management takes place in the intersection of more and more complex governance relations.

1. Introduction

This research, which is based on the experiences and interpretations of Finnish municipal chief executive officers (CEOs) of the Baby Boom Generation (born between 1945 and 1950), aims to explore change in the convoluted interactions between local leaders and their social and organizational environment. The research has its roots in a need to understand how the experienced CEOs perceive the main changes that have taken place in their management environment in recent decades, and how these changes have affected their work as municipal managers/leaders. In their narratives we can identify four focal changes that have challenged municipal leadership. These four changes all appear in *governance relations*, in other words, at the decisive interfaces where municipal chief executive officers operate when they strive to take care of their tasks.

The article is not primarily about the environment nor about leadership per se. It is about the leaders' constructions of recent changes in their leadership environment. Narratives which we interpret in the framework of governance relations and complexity.

Our research strategy is based on a narrative analysis, highlighting the importance of beliefs, meanings, traditions and discourses, and comes close to a "decentred approach on governance" (see Bevir 2003). The type of research in this paper is

data-driven and explorative, we aim to contribute a tentative theory on local leadership change, how leadership is challenged by alterations in governance relations.

The Finnish context has many features specific to it, even when compared with the other Nordic countries (e.g. Rose and Ståhlberg 2005; Sjöblom 2011). As a result of many institutional characteristics in the system, the chief executive officer has an exceptionally strong position in Finland. The most important detail is that municipalities do not have mayors.¹ Instead, the chairperson of the municipal board and the chairperson of the council act as political leaders. The municipal manager works under the municipal board as the head of municipal administration, financial management and other functions but also represents the municipality outwards and carries out many functions that in many other countries are included in the politician's role. When using the concept of leadership instead of management, we refer to the fact that particularly in the Finnish context, both leading politicians and administrators are leaders, exhibiting at least some of the qualities that are typically associated with leadership (e.g. responsiveness, decisiveness and charisma).

While the narratives are drawn from only one country, the findings might still be applicable in other countries since they hold implications for the theory of leadership, as they present the challenges of leadership as changes in governance relations and invite researchers to direct attention also to balancing inter-organizational and internal relations.

The article proceeds as follows. First, we shortly discuss the institutional and theoretical context, which provides insights to our study, helping us to understand local leaders' narratives as stories on changing governance relations. We then proceed to a presentation of the stories constituting the research material. Thereafter we present the four change narratives as they appear in the analysis and discuss local leadership as governance relations.

2. Local leadership in the context of governance

According to Klijn and Koppenjan (2012) governance network theory has developed into a "fully fledged theory" that has gained a central role within public administration. A number of authors have contributed to governance theory to make the change in public policy that occurred in postmodern societies over the last two decades understandable (Rhodes 1999; Jessop 2000; Peters 2002; Peters and Pierre 2000; Kickert et al. 1997; Milward et al. 1993). Governance theory stresses that today, public policy is developed and implemented through interaction between different actors in society and is thus deeply related to the concept of complexity (Pierre and Peters 2005; Kooiman 2003). Despite its fast development and inspiring viewpoints, the discussion on governance and complexity often appears to be very metaphorical (Lewis 2011) and abstract based on generic concepts and assumptions (Klijn and Koppenjan 2012, 600), without points of reference to the grass-roots reality of leadership. The narratives of leaders seem to be particularly absent.

¹ With five exceptions, the cities of Tampere and Helsinki and the municipalities of Pirkkala, Kärkölä and Tuusula.

One cannot claim that governance theory is a unified theory, but there are some commonalities like the avoidance of state-centric explanations, *the introduction of a variety of new governance tools and the focus on inter-organizational issues instead of internal matters*. Interconnections between organizations form a central element in theories of governance and, they have shifted the focus from intra-organizational to inter-organizational issues (Klijn 2008a, 2008b, 305), and leaders in public organizations are often encouraged to adopt a role as network managers and boundary spanners (see Williams 2013; Liddle 2010; Kickert et al. 1997; Bogason and Zølner 2007). In local leadership this means that because of the growing interdependencies and more difficult (wicked) policy issues, municipalities and other public organizations have to enter into cooperation with various actors, and governance takes place through horizontal and vertical relations with the private sector, the third sector and other public organizations.

Complexity is a core concept of the network governance/governance network theory (Klijn and Koppenjan 2012, 591; Klijn 2008a; Osborne 2009; Teisman et al. 2009), and it should be integrated even more with public leadership studies (Vogel and Masal 2015, 1180-1181). Complexity in governance processes means that they are not reducible to a few basic development logics that direct the action of various actors towards the desired action, nor can order be explained by a single (and simple) governance structure (Schneider 2012, 139; Haveri 2006, 42-44). According to Teisman et al. (2009, xiv), complexity in governance is generated by three different characteristics: non-linear dynamics, the self-organization capacities of the participants and coevolution between sub-processes and subsystems (see also Teisman and Klijn 2008). The adoption of complexity ideas directs attention to emergence, self-regulation and adaptive governance, enriching the explanatory power of governance network theory (Klijn and Koppenjan 2012, 600). By shifting the focus from simplicity of public leadership to complexity we are able to explore “*elements of public leadership that are bilateral and simultaneous rather than unilateral and sequential*” (Vogel and Masal 2015, 1180).

So why use narrative perspective, and why is it important to understand the narratives of experienced leaders? With the narrative perspective, we are able to increase understanding: first on the most important changes affecting the position of municipal managers as local leaders during the last decades, secondly on the key tensions and inter-dependencies across and within levels of governing relations, and thirdly on the explosion of interactions at these different levels and how leaders cope with them (to maintain their power and get the job done). We aim to respond to the need, addressed by Klijn and Koppenjan (2012) and Lewis (2011) in their analyses on the current state and future challenges of governance research, for more sophisticated approaches to examine network governance.

Our narratives point to the fact that although the inter-organizational dimension is getting more and more important, it reveals only one dimension of the increasing complexity faced by local leaders. In local leadership, it is also a question of changes taking place inside the municipal organization/community, and these changes are intricately connected to inter-organizational governance relations. At the same time when inter-organizational networks demand more attention from leaders, changes in internal governance relations do not necessarily support long-term network gover-

nance. This is why *local government leadership should not be reduced to inter-organizational network governance, which happens independently from internal governance relations*. Our article contributes to local leadership and the network governance theory by amplifying the dimensions and meanings of complexity and governance in the everyday work of local leaders.

3. Stories as research material

This study is based on the narratives of 17 Finnish municipal chief executive officers. These leaders, born between 1945 and 1950, belong to the Baby Boom Generation. At the time of the interviews, in December 2012 and January 2013, they were either still active in their working life or had recently retired. So why focus on this generation and not the new leaders? Because we wanted to explore change and the older leaders' narratives set new against old, thus making better sense of the changes.

The interviewees were not selected at random but by discretionary sampling. The first criterion was their date of birth and the second was their long experience as a municipal CEO. We also wanted to ensure a reasonable mix of different types of local authorities and leaders with varying backgrounds, which is why the ultimate criterion was the heterogeneity of the sample (men/women, rural/urban areas, different political backgrounds, various parts of the country). In total, these 17 leaders have held different positions in more than 100 municipalities and have worked as CEOs in approximately 50 different municipalities.

During their long careers in municipal management, the CEOs have followed the evolution of Finnish society through different phases and stages of development all the way from the 1970s up to the present day. They have unique experiences of and views on the Finnish welfare society as well as on municipal management and the changes in the work of municipal managers. Their social reserves of anecdotes encompass tacit knowledge and vision via which the development and current state of municipal management can be analyzed.

In the study, we applied a narrative analysis. We assume that narratives convey meanings and leaders use them to communicate and create meaning also when they look back on their lives and careers. In our approach, narratives are primarily seen as language and as a medium for expression (see Dodge et al. 2005, 291). To allow the leaders to communicate and express their interpretations freely, the interviews were conducted with a very light thematic approach. In the beginning of the interview, we asked the municipal CEOs to talk about their work and their careers. The interviewees were encouraged to share their experiences, which resulted in vivid descriptions of events, persons, and insights.

We used the narrative approach and wide thematic frame to identify poignant features and central elements of change in the work of a municipal leader. The stories of their life and leadership combine their subjective experiences into larger development cycles of local government and leadership.

¹ In the literature on decentred governance, this ideational background against which people hold beliefs is labeled as "tradition" – see Bevir and Rhodes (2010).

The narrative approach is used to find interpretations, process-like tales and important moments that could reveal how certain events developed, what the causes and consequences of these events were, and how different developments and turning points are linked together. By combining these interpretations, we have drawn conclusions on the most important changes in local level leadership. We approached the practitioners as knowledge producers and the experience of the local leaders as a lens through which we analyzed the important changes in local leadership (Ospina and Dodge 2005, 153).

The original interview data is nearly blindingly rich, and it challenged us as researchers to figure out focal concepts and larger phenomena to be understandable in the limited article format. The conclusions are grouped around the core finding of our analysis: all the changes considered important seem to have happened in the governance relations of a local leader. The local leaders placed their most important stories on their leadership in relation to the nation-state, other local institutions, politicians and residents. The successful moments, the initiation rites, the restricting factors and most of the important actions seem to happen on the edges of the local organization. The narratives revealed the places where the leaders create and place their leadership. Places where leadership takes place (see Bruner 1990; Sarbin 2004; Hänninen 2000).

The stories told by the leaders were at the centre of our analysis. We started the process by reading the transcribed stories by looking for phrases that described change. We focused on visible stories with emerging plots, stories about how and why the things and times have changed. In practice, we started the analysis searching for tales about “the good old times” and tried to find expressions that gave us the possibility to see what was different before, and what is the situation now. We focused particularly on parts where the leaders talked about *coming from somewhere and going to another reality*. When found, these interpretations were simplified as phrases like “before colleagues – now opponents”. We found similar stories in almost all of the interviews. We started to work on those most common ones and by combining multiple simplified phrases, we formed general themes like “altered state-local relations” or “dissolved boundaries”, which we chose as the basis of the model stories. In these model stories, experiences gained over different time periods and in different places blend together.

4. Four factors that change local leadership

4.1 Dissolution of municipal boundaries: From clear boundaries to multiple spheres of action

The narrative on the dissolution of municipal boundaries is an interpretation of the diminishing significance of administrative and institutional boundaries. With regard to administrative boundaries, this means that the municipality cooperates with its neighbouring municipalities in various policy areas and that their mutual dependencies have grown. The dissolution of institutional boundaries has become visible in the growing cooperation between municipalities, private companies and the third sector.

The narrative starts in the mid-1990s. Accession to membership of the European

Union had brought about many new governance instruments, including programme-based regional policy and new sub-regional division. Those instruments had a strong impact on local economic development policies, increasing inter-municipal cooperation and slowly also included the private sector and the third sector. Municipalities conducted joint development strategies, implemented mutual policy coordination and established joint economic development companies. The central idea of the accelerating cooperation on local economic development policy was the realization that increasing economic activity would benefit all municipalities in a sub-region, and not just the one municipality where the company would be located. It was also realized that in most cases the resources of a single municipality were too modest to enable efficient economic development policy.

Local economic development policy has changed totally. Now it is done on a district or regional basis. One municipality is too small for that task. We have to cooperate with our neighbours to succeed (Interview H).

It is widely admitted among the leaders that inter-municipal cooperation started to increase first in local economic development already in the 1980s. By the end of the 1990s, inter-municipal cooperation began to intensify also in services; this trend has accelerated after the first years of the 2000s. According to many leaders' experiences, inter-municipal cooperation arrangements have slowly entered many policy areas, become steadier and have sometimes even led to municipal consolidations: the disappearance of municipal administrative boundary.

As regards the work of local executives, the dissolution of municipal boundaries has meant new leadership practices characterized by understanding the sub-regional context, humility and the ability to listen to representatives of smaller municipalities as well as presence of mind. Leadership in inter-municipal cooperation means a continuous search for balance between the municipality's own strategies and other interests in the cooperating region, as can be seen in the following quotes that summarize shared views of the CEOs.

It is not enough anymore that a municipality has a decent 'domestic policy'. It is also a question about those neighbouring smaller municipalities, that how things are regionally, not within municipal boundaries (Interview F).

...

Then now everyone is thinking about the role of their own municipality within this economic region, how beneficial the neighbouring municipalities are, and what they are able to give by themselves. I think this is ... This is just an awesome basis (Interview J).

Inter-municipal cooperation with regard to services has been accelerated by municipalities' own strategies and national-level reforms and experiments: since the end of 1990, the nation state has promoted inter-municipal cooperation in order to make small municipalities less vulnerable e.g. by increasing the minimum size of joint municipalities delivering welfare services.

The dissolution of institutional boundaries also has its roots in vulnerability and seeking solutions for wicked problems. In many cases, in recent years the municipalities have come to a point where it is sometimes not possible to take care of certain tasks without the help of the private and third sectors. The workforce of municipalities is ageing, it is extremely difficult to find an educated workforce in rural areas or in regions that have fallen behind in development. Sometimes companionship is sought to promote innovations for future solutions.

We as municipalities have the responsibility, but more and more we buy services. Recently, deals with the third sector have increased in recreation services and youth services. The boom has its roots in deficits: we are forced to buy doctoral services, because we were not able to hire doctors for the municipality (Interview O).

The dissolution of municipal boundaries has led to increased diversity and resulted in more complex governance relations. Instead of managing and leading, the situations are commonly seen as characterized by communication, learning and strengthening trust among partners. Instead of using the institutional position as a tool, negotiation and interaction are essential in order for efforts to succeed.

Nowadays business life is more like a partner to the municipality; creating operational preconditions. A kind of genuine partnership is born with businesses and other organizations, with educational institutions, too. Many of them have a municipal background. In a way, the general willingness to get involved has developed significantly. It could be said that companies and municipalities are really in the same boat. Previously, it was perhaps the fact that it is a municipality's and city's business, so let them do what they do. This is no longer the case. It is a co-operation (Interview K).

This has not been interpreted solely as a positive development, as it is seen to narrow the managerial latitude of a municipal CEO. Some even think that taking care of tasks by means of joint authorities makes the development of a municipality more difficult.

Instead of a joint authority, I use the term (blood) clot authority. They kill municipalities. Every single one of them. I don't like them. They are like states in a state. As long as we have municipal self-government, it should function without these (blood) clots (Interview D).

The strengthening of trust between different municipalities and different actors requires time and active nurturing, and even specific change management.

Then it's about thinking the seven years' time span and how we will cope with these neighbours in cooperation, do we need to change the municipal structure or is municipal cooperation enough. We need to discuss these issues together; think over those different options, service structures, using purchase services and so on (Interview J).

In addition, it has meant collaboration between political and administrative leaders and, in urban areas, the dismantling of confrontation between the central cities and surrounding municipalities. However, not even these activities can ensure the success of institutional and administrative cooperation, and disappointments and failures are common.

4.2 State-local relations: From companionship to contradiction

The second narrative concerns the relations between local and state government, which are felt to be cooling off. This narrative contains many descriptions of changed contacts, where earlier, on both personal and institutional levels, mutual understanding and common efforts have turned into separate worlds, even into one-way chains of command.

... As if the central government in Helsinki had some kind of wisdom. There is no more wisdom there than anywhere else. People taking care of affairs there are the same as anywhere else. We are not given any space for our own thoughts but are forced to act in a certain way. Then they think that with these commands we could produce the same kind of services everywhere (Interview A).

There are two main interpretations of the State's new role and attitude towards municipalities. The first interpretation is the story of a receding State and the second is about an omniscient and controlling State. By a "receding State" we mean a trend where the State bears less responsibility for the development of regions and municipalities, which is accomplished by terminating State jobs, reducing funding and investments and giving market forces more space. In municipalities it is felt that they and their problems have been abandoned, whereas earlier they felt that responsibility for regional development was shared between the State and local government. Following interpretation represents especially the atmosphere among the CEOs of rural municipalities.

The State has withdrawn. All 40 jobs of the national phone company are gone, most of the jobs of the Post office are gone, the number of tax administration employees has decreased by over a half and the police has shrunk as well. These state jobs have been lost enormously (Interview L).

On the other hand, the State has increased local government's statutory functions, strengthened its monitoring and control activities, and is even considered to have an omniscient attitude towards municipalities with regard to their service provision.

When the State decides to employ a friendly gesture and reduce taxes, then it will reduce the municipal taxation. Sure, the state tax scale has been changed as well, but the normal pattern is through municipal taxation. And then they say that yeah, it will be replaced by the state subsidies to municipalities. After all, they take our own latitude away. Then it's easy to say that the municipalities have to survive on their own tax revenue, when they have first taken away our possibilities to increase revenues (Interview A).

The State's detailed regulation is perceived as unjust and oppressive and leaves no room for any local variation. Local chief executive officers can name a number of situations where regulation and general standards have led to irrational arrangements and behaviour at the local level.

These two rather contradictory developments in relations between the State and local level have meant that local governments' role has become ambiguous; on the one hand municipalities bear even more responsibility for local economic viability and wellbeing than before. On the other hand, they have less freedom and resources to take care of those tasks.

Then, on the one hand, the state would take the money out, and on the other hand they give us more tasks and financial responsibilities. So this equation does not work properly! After all, it is then sweated out of these people with the tax rate retracted if otherwise. And for that reason getting into debt is not suitable (Interview L).

The story has its roots in the 1970s, when the Finnish welfare society was being constructed by creating new services and institutions at the local level. This was mutually considered to take place in good cooperation between the State and municipalities despite the fact that the system of central government transfers to local government was very detailed.

So the legislation was changing all the time towards the expansion of municipalities' tasks. At that time the State ensured the financials. The Public Health Act was created, we built new systems to respond to that. The Basic Education Act was created, joint municipalities for public health care were created. We were moving from one system to another. And during that phase the society had wealth and we were building up (Interview E).

Municipalities did not have enough know-how and resources for new welfare institutions, and State guidance was welcomed with satisfaction. Despite the detailed steering of service production, there was plenty of freedom as well as the economic resources to enter into such activities as local economic development. At the same time, the State implemented a strong regional policy, the aim being to ensure the conditions for the development of different regions. National prosperity made it possible to decentralize various government agencies, such as the police and the Social Insurance Institution. The effect of these moves on employment was considered important, particularly in rural areas.

A period of expanding autonomy followed at the beginning of the 1990s, when regulation and norms were dismantled and the central government transfer system was altered radically. But at the end of the decade, the number of statutory functions began to rise rapidly. This was not opposed by municipalities, because the economy was doing fairly well and municipalities considered the development to lead to greater influence and power in society.

The last process affecting the cooling relations between local government and central government has been the chain of structural reforms launched in 2005. The

reform of the local government structure and services has been a State-run process where only the role of implementer has been reserved for local government. In the everyday life of municipal management, the implementation of structural reforms has meant, for example, the elimination of self-reliance as the resources and time are wasted in preparing statements and handling other State-run activities, which all are considered useless too often. Reforms are seen as taking time away from the core functions of municipalities.

Actually this mess started already in 2005 and even earlier. Now the relations between municipalities and the State have changed in such a way that we have been given the role of an errand boy. In fact we are continuously on the alert: what will be legislated next, what kind of structural proposal is given and how should it be constructed? 80% of our energy is wasted on this folly and 20% goes to services. How much is left for viability and sustainability? Nothing! This situation is totally insane! (Interview D).

The process of cooling relations affects local leadership in many different ways by decreasing the importance of vertical relations, making the work of executives lonelier, and impairing their motivation. They feel that they are alone in their pursuit of handling local and regional development. They feel forced to waste time and energy for implementing reforms, and regulations are considered to be useless or even harmful. Many State regulations are thought to be in conflict with the local rational way of doing things. The State seems not to understand the logic of the local level. Municipal executives cannot see the State as a partner in the same way as before.

4.3 Municipal inhabitants: from residents to customers

According to the third narrative, the local citizen's role has changed from a responsible and collectively active resident to an independent and exacting customer. In describing "the good old times", it is said that local citizens, as residents of their community, used to be more active in local politics and took responsibility for local affairs on the principle that: 'if something was broken they repaired it themselves'. The political parties were active at the local level and had large numbers of members taking part in different municipal planning and decision-making organs.

The change has not happened suddenly but gradually. However, the stories mention some milestones. Some local executives believe that the reform of the Charter of Fundamental Rights in 1995 was important with regard to citizens' attitudes towards local government services. A better explanation is generation change: the values, attitudes and practices of the younger generation do not support the traditional picture of local government as was the case some decades ago.

The way of thinking has been reshaped a lot; society and the municipality are called on for help in almost any kind of case. It is a rough change. Sometimes it is said we should take a big step backwards when thinking about the individual's responsibility; what the individual is responsible for and what not. Though it is indeed hard to backtrack (Interview I).

Nowadays the local citizen is first and foremost a consumer or a customer using services rather than an active participant in community-building. Local citizens are more aware of their rights and opportunities to obtain services than before, they want to get as much as possible and give little themselves, which a few of interviewees interpret in the following way.

Earlier it was said that here you have your health services, do not whine and you'll use them. It was directed in this way and it was enough that it was pointed out that there was that kind of service. Now it is not enough. Nowadays there are all kinds of Treasure Island daycares and whatever (Interview F).

Their contact point with the municipality is more often a single service event rather than civic activity, participation in community affairs or politics. The municipality is seen as a technical distribution organization providing services that are prescribed by law and other regulations. The municipality means schools, health centres, technical agencies and other services.

There are lots of lawyers and engineers living there. They know their rights very well. And they are able to ... They know how to advocate for their rights really loudly (Interview C).

The executives of municipalities estimate that the change in local citizens' role from responsible residents to independent customers has seriously complicated governance efforts at the local level. On the one hand, the rights of the citizen must be respected and the municipality still needs to promote the wellbeing of its citizens. On the other hand, the management must look after the municipality's economy and must prevent the indebtedness. The situation is experienced as almost impossible in the face of local government's current overload. The equation is difficult to solve if citizens only make demands and are not ready to contribute actively. First, there is the local citizen who demands a service that is guaranteed and regulated by the State. There is the municipality that lacks the economic resources to provide the service without incurring debt. And then there is the State that denies the indebtedness of municipalities but whose agencies monitor the municipality and can even levy fines if some service is not provided. And finally, there is the media where complex questions are easily simplified so that things look somehow badly managed and local leaders are blamed, even if the problems were caused by political decision-making.

Sometimes it seems that no matter what happened, eventually it comes together into one sentence: couldn't you do something. Sometimes it feels that they always blame one person: me. It is certainly my own fault in that way, and it might be related to my background, having that kind of political and administrative responsibility. Sometimes it feels that both responsibilities are mine and where is that political responsibility? Does it even exist, that you can say that there is a clear line between those? (Interview I).

4.4 Local politics: from long-term elites to fragmentation of local politics

The 1980s proved to be an active time in political participation at the local level and the political parties flourished. Local objectives or political parties formed the basis for local policy programmes, which were negotiated within the political groups. On this basis, the leading politicians and key office-holders discussed and then agreed upon the practical issues involved in everyday management and decision-making situations. In many cases, the political parties at the local level were led by experienced senior politicians, people who enjoyed trust and respect across party lines.

In olden times responsibility grew within the political system ... Now I combine many municipalities' points of view ... There were the municipal association socialist Finnish People's Democratic League, which had a room full of people, the Social Democratic Association and the Centrist Agrarian Association, which may have had a big room full of people. For instance somewhere in Northern Savonia, in Eastern Finland, all of the meetings were crowded. Efforts were made towards the common good and trade-offs. There were political views, which were combined (Interview E).

Now local executives tell narratives reflecting the fragmentation of local politics, which is manifested on the one hand in the disappearance of party ideologies, centres of power and political elites, and on the other hand, in the spread of a populist political culture.

It is really difficult, this culture of complaining and, in general, the fact that democratic decision-making is not respected. And these are the same guys who always emphasize that it is a democratic deficit here and there. And actually they themselves do not respect the decisions of the majority and do nothing but retaliate if others do not agree with them ... Yes, this is a problem today (Interview C).

The historical dichotomy between the Left and the Right is not important any longer, local politics is more complicated, case-sensitive and unpredictable. Parties are closer to each other than before, and their stance on political issues cannot be predicted on the basis of their ideologies. The breakdown of the traditional political alignments has reduced the power of strong experienced politicians, political elites and regimes. Traditionally, local executives were able to recognize the power coalitions and leading individuals, who were the people with whom they negotiated. Now that the political elites have weakened, power has become more invisible, resulting in a situation where negotiating is more difficult.

Typical phenomena of the populist political culture are single-issue politicians and groups, a weakened desire to bear responsibility for issues outside one's own interests, and a focus on short-term issues. Single-issue politicians come to the council to promote some narrow interest but they lack a broader interest in local issues. Short-term "hand to mouth" issues that are politically more rewarding draw attention and legitimacy away from politics dealing with the longer term, investments and local economic development.

... when everything is appealed, and to the highest possible level. This starts when someone voices a differing opinion on the council's decision. That's how hands are washed to avoid a shared decision. In any case, no wise alternative is expressed, there is only complaining all the time. The purpose of that sort of behaviour is to retard the whole process (Interview C).

As a result of the fragmentation of local politics, decision-making has become more complicated, unpredictable and case-sensitive. The leaders of a municipality have to negotiate with a number of different groups and individuals when seeking support for their views. Power and influence are less clear than before, and the results of negotiations are not necessarily apparent even after them. In the past, local executives were able to address, solve and agree on matters with political leaders. At present, agreements, if they are made, are not necessarily respected at meetings, and decision-making takes time. Executives report that it is particularly difficult to reach decisions on major future investments. In addition, they are worried about the evasion of responsibility, which is the flip side of bothersome decisions. This situation decreases the legitimacy of municipalities in the eyes of partners, e.g. companies and the third sector, but also in the eyes of citizens at large.

5. Discussion

The local leaders position themselves in the middle of a diverse and complex field of governance relations (Figure 1). The number of governance relations essential in municipal management has multiplied, and the need for interaction has exploded. Leaders act within multi-level, complicated, continuously evolving and case-sensitive governance relations, including both the intra-and the inter-organizational dimensions. In a leader's everyday work today, this often means working in interactive governance networks, where the leader has to inspire or persuade other actors to find consensus and follow the jointly selected course of action. The results also indicate an opening up of local government and policymaking, the fall of the old centres of power or elites, and the need for new, different ones and a genuine shared responsibility.

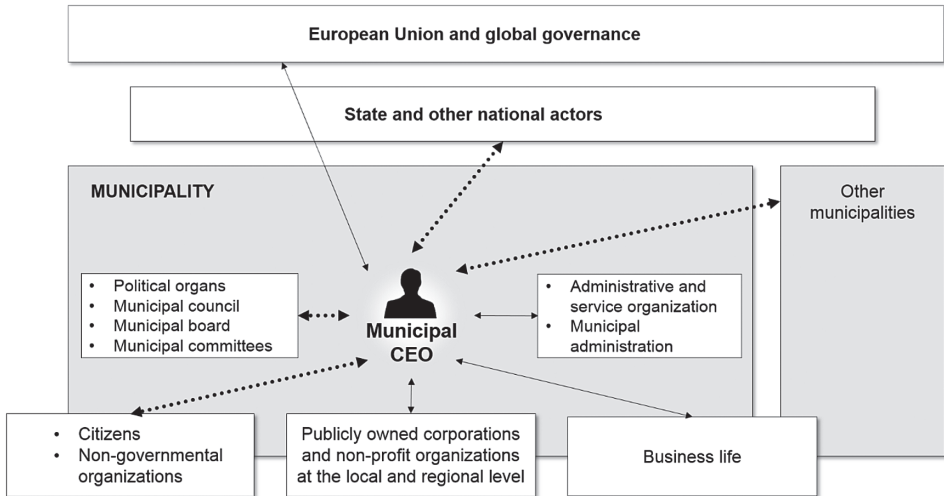


Figure 1: Local leadership as governance relations

Despite the growing importance of horizontal governance relations, the major changes that challenge local leaders are not related only to external governance relations, but also to relations inside the municipal organization; the relations between politicians and civil servants and the relations between the municipality and its residents. As a result of the fragmentation of local politics, decision-making has become more complicated, unpredictable and case-sensitive. The disappearance of party ideologies, the fading of centres of power and political elites, and the spread of a populist political culture means that local leaders have to use more time and energy for strategizing, keeping the long-term vision visible, and for securing the implementation of strategic projects. The leaders of a municipality have to negotiate with a number of different groups and individuals when trying to assure support for their views. At the same time, local citizens' changing role from responsible residents to independent customers is making the role of local governments as a service provider more complicated.

Governance theory is a good framework for conceptualizing change in public policy, since the aim of governance research is to abandon the idea of the organization as an anchor point in society, focusing on governance processes instead (Bogason and Zølner 2007; Bekkers et al. 2007). These processes include relations to actors that are external to the municipality itself. Municipalities function in close cooperation with other municipalities, the nation state and even the EU. However, it makes no sense to reduce local government leadership to inter-organizational network governance that happens independently from internal governance relations. In the work of local leaders, internal, local and supra-local governance relations are interrelated with complex linkages. And despite the change from government to governance, the most important governance relations of a municipal CEO are located quite near the municipal organization – including relations with local politicians, local businesses and residents. From the perspective of governance relations, munic-

ipal leadership means balancing acts in both the internal and external relationships of the municipality. How this leadership of balancing acts takes place in practice, is unfortunately not visible through our narratives, but needs further research.

Together with changes in governance relations, a new set of tensions emerges at the interfaces of local leadership: tensions between the State and local government, municipalities and residents and between civil servants and politicians. A new context of local leadership is evolving, a context that is full of tensions, disagreements and paradoxes more than was the case previously. These changes influence the delicate and fine-drawn interactions of leadership (see also Hazy and Uhl-Bien 2015).

Complexity is now encountered not only in the policy challenges faced by public organizations, but it is also an important part of the whole governance system: within governance relations; in the change of political institutions and in the transformed roles of local residents and central government. This supports the idea presented earlier (Teisman et al. 2009; Schneider 2012) that complexity in governance is generated by many different and case-sensitive forces, and governance processes are not determined by few basic development logics. So the complexity approach challenges us to focus on both individual interpretations of the leadership context and broader system effects (Hazy and Uhl-Bien 2015, 80).

More complicated, unpredictable and case-sensitive governance relations challenge local leaders by considerably increasing the pressures of local chief executives, by requiring new interaction practices and by calling for tolerance of uncertainty. The position of municipal chief executives has become progressively more difficult, in many ways, and this is even felt as chaotic. Local leaders have to cope with numerous, often competing and exaggerated expectations and demands. They have to be able to negotiate in an environment where power is often hidden and coalitions are unstable and unexpected, and they have to maintain their managerial capacity despite the many new restricting factors such as tightening control by the central government and the media.

The narratives described in this study reveal the everyday complexity of local leaders' environment, illustrating how complexity is operationalized in daily governance relations. The results also point out that although the inter-organizational dimension of leadership – which is popular in the current discussion on public sector leadership – is getting more important, it reveals only a part of the everyday complexity faced by local leaders. In the development of the theory of local government leadership and management, more attention should be directed to the interwoven governance relations, which include a vast amount of actors. In their everyday work, local leaders face challenges stemming from residents as well as from the central government. Gathering data from leaders' experiences is necessary for exploring how leadership acts and events take place in the altering managerial latitude between different actors in governance relations, and how the actors affect one another.

Local leadership is, even more than before, about interacting strategically and formulating the interaction according to the nature of the relationship. Leadership evolves through interaction in internal and external governance relations, pressures and conflicts, and balancing acts, and it is the greatest tool for a leader to create managerial latitude.

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Politico-Administrative Relations in the National Reception of OMC Policies: Comparing Policy Sectors in Slovenia

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ABSTRACT

The article examines the relationship between the national politicians and their civil servants in the reception of the Open Method of Coordination (OMC) policies. Our comparative case study of three policy fields in Slovenia identifies variations in the politico-administrative relations among different policy sectors. These variations can be explained by the weight of the ideological-political burden that determines the extent to which a particular policy sector is politicised. Although the reception of OMC policy is first and foremost in the hands of the national politicians, national civil servants have greater scope to act autonomously in those policy sectors which are less politicised.

Keywords: Politico-administrative relations, open method of coordination, Slovenia

1. Introduction

To date, the research into new modes of governance (NMG) – particularly the Open Method of Coordination (OMC)¹ – has tackled a number of issues (Zeitlin et al. 2005; Heidenreich and Zeitlin 2009; Zeitlin 2015; Kröger 2009). Among them have been (i) the influence of the OMC on procedural shifts in policymaking arrangements and (ii) the framing/reframing of policy agendas (Zeitlin et al. 2005; López-Santana 2006, 2009; Heidenreich and Zeitlin 2009). However, the politico-administrative relations that affect the processes by which OMC policies are received by member states have remained understudied.

Due to its voluntary nature, the OMC has usually been understood as a non-political or de-politicised method of policy coordination among EU member states in policy fields where more politicised policymaking has not been politically

¹ The Open Method of Coordination (OMC) is based on the voluntary cooperation between EU Member States and EU institutions in those policy fields where treaties establishing European Communities give little or no place for direct decision-making within the framework of EU institutions (Dehousse 2002, 5).

acceptable. As a rule, national civil servants and experts have been the primary players in these processes. This is why it is believed that politics – in terms of the power-struggle – plays little or no role in the OMC processes (Kröger 2009). So far, the research has been predominantly focused at the EU level, where a certain degree of politics can be found, particularly in studying the role of the European Commission. By contrast, little attention has been paid to the politico-administrative relations that affect the processes by which OMC policies are received by member states.

While we will examine the politico-administrative relations in receiving OMC policies at the national level, our main research focus is two-fold. Firstly, we will respond to the criticism that research approaches which analyse the OMC have been excessively confined to the literature on Europeanisation while not taking into account the politics of the OMC (Borrás and Radaelli 2011; de la Porte and Pochet 2012). This literature focuses primarily on substantive policy changes, while the management of the policy process and the role of civil servants and politicians are left to one side. Secondly, we will contribute to closing the gap in the public administration literature. This literature has so far revealed that the European Commission is for the most part active in the lower echelons of domestic government hierarchies, particularly through professional experts within sector ministries and agencies, and that the multilevel interaction of administrative systems occurs largely outside the control of the domestic politico-administrative leadership (Larsson and Trondal 2005). This research approach has also adapted to studying the multi-level aspects of public administration coordination in the EU context (see a literature review in Benz et al. 2016). Nevertheless, the politico-administrative relations in receiving OMC policies have remained understudied. To close this gap in the literature, our main research questions are the following: (1) what are the main characteristics of the management of the policy process in the OMC policy sectors?; and (2) which factors determine the management of the policy process in the OMC policy? Given that the OMC's orientation is more technical than political (Kröger 2009), we hypothesise that the OMC favours civil servants in the management of the policy process at the national level.

In presenting our empirical research findings from a post-communist EU member state, we will take the post-communist legacy to be a constant whilst we examine the variations in the three policy sectors: employment, education and the environment. The post-communist country which will serve as our case study is Slovenia. In this article we will attempt to draw conclusions as to: (a) the different types of politico-administrative relations which have developed within the three policy sectors in Slovenia during the process of absorbing OMC policies; and (b) how these variations can be explained. We will first present the theoretical-analytical framework before proceeding with our comparative analysis of the three policy sectors in Slovenia. We will conclude by summarising the factors which cause the variation(s) in politico-administrative relations among the policy sectors.

2. Theoretical-analytical framework

2.1 Politico-administrative relations

The literature on public administration has for the most part been dominated by the thesis of the politico-administrative dichotomy. Over the years, however, the debate has moved from the politico-administrative dichotomy to more complex models. The works of Frank Johnson Goodnow, Leonard White and Max Weber in the early twentieth century, together with the work of W. Wilson, have been cited for decades as sources of the thesis that the government's role is to introduce ideas and principles whilst the administrators exist to implement them. Svava (2001) warns that the dichotomy is in fact a myth, which overlooks other traditions both in the literature and in real life (Svava 1999). He also argues (Svava 1999, 687-688) that the politico-administrative distinction (not dichotomy) is necessary both in order to remove administration "from the hurry and strife of politics" and to ensure that public administration plays an executive role beyond mere implementation. Some authors who have distanced themselves from the dyadic model, such as Schreurs et al. (2011), have suggested conceptualising politico-administrative relations on a continuum is more realistic. Following this approach, they have observed an increase in the emergence of hybrid relationships. To some extent this phenomenon may have contributed to the diffusion of the phenomenon of new public management (NPM) (Connaughton 2006).

However, we also need to take into account the political context as a determiner of politico-administrative relations. The political context of politico-administrative relations matters, not only in terms of the afore-mentioned typologies/regional differences, but also in terms of political dynamics – for instance, coalition governments can be seen as co-determiners of politico-administrative relations (see Connaughton 2002).

For the purposes of this article, it is also particularly important to take into account the post-communist context, the influence of which can still be felt. In spite of the variations in the administrative traditions of post-communist countries (see Fink-Hafner 2007), it is possible to identify one common idiosyncrasy they all share: namely, the tradition of subordinating public administration to a single ruling party. Whilst it could previously have been said that public administrations were single-party responsive (Verheijen and Rabrenovic 1999, 19-20), since the transition to democracy public administrations appear to serve a range of parties as power changes hands with each election cycle. Coalition governments introduce both government re-shuffles and the re-allocation of strategic ministerial posts, which tends to make the relationships problematic. This is especially the case when changes in government go hand in hand with changes in office of senior public officials. There is a tendency for politics to intrude into the ever more numerous layers of the administrative hierarchy. This exacerbates the problem of excluding civil servants from the policy development process and results in the ruling parties placing their own people in key civil servant positions.

2.2 The Europeanisation literature on politico-administrative relations

At present, there is no systematic theory of party politics or public administration theory within the EU. Furthermore, the relationship between the two sets remains opaque. To date, the research has revealed that EU political integration increasingly demands administrative integration. At present, a pan-EU public administration is not being developed, although the idea of a Europe-wide administration appears explicitly and implicitly in a number of EU documents (Matei and Matei 2008). For some authors, the creation of the so-called European Administrative Space (EAS – for example, by convergence on a common European model) could be regarded as a normative political programme, a real-life phenomenon in the making, a theoretically predicted development based on expert judgment. However, the evidence suggests that administrative integration tends instead to take place via several intermediate-level administrative adaptations.

Trondal and Peters (2012) assert that the EAS is already emerging incrementally through bureaucratic integration. Although this approach has been associated with political integration and the creation of a European administration, it does not deliberate on the particularities of politico-administrative relations in such a context. Administrative fusion mainly seems to be occurring via the actions of professional experts working on behalf of the European Commission at lower levels within sector ministries and agencies (Trondal 2007). It also seems that while the European Commission weakens the domestic politico-administrative leadership, this is counterbalanced to some extent by the interlocking effect of national systems of co-ordination and politico-administrative control (Trondal 2007). Similarly, the literature on the Europeanisation of national executives is rather inconclusive as to whether a process of politicisation (the prominence of politicians) or bureaucratisation (the prominence of civil servants) is occurring (Goetz and Meyer-Sahling 2008). By contrast, comparative public administration (Bouckaert et al. 2010) as well as political science (see Poguntke 2008) point to an increasing politicisation of leadership within the national executives.

Top-down Europeanisation creates an exponential increase in the number of EU-policy-related issues entering the national politico-administrative system, particularly by instrumentalising NPM techniques and the increased use of action plans and benchmarking at national and regional levels (Borrás and Peters 2011, 528). Consequently, variations among the types of policy issue may matter. In the national process of co-ordination of EU matters, the question regarding the role of bureaucrats *vis-à-vis* that of politicians is critically related to the question of whether leadership is mostly exercised by elected politicians or by civil servants (Borrás and Peters 2011, 530). An analysis of OMC processes raises a similar question.

In light of the fact that the Lisbon Strategy was politically determined and has been dependent on a governance architecture developed for the purpose of managing politically-silent policy issues both at the supranational and the national levels (such as economic growth, competitiveness, jobs), it would seem reasonable to expect this governance structure to tend to reinforce the politicisation – rather than the bureaucratisation – of the national executives (Borrás and Peters 2011, 530). Some researchers (such as James 2010) even claim that the OMC method seems to empow-

er core executives at the expense of sectoral ministries as well as legislatures. We are not aware of any research that would link the supranational and national levels in politico-administrative relations or link the trend towards the presidentialisation of politics with the creation of administrative spaces between the national and supranational arenas. However, some reports on the particular uses of policy coordination have shown that the OMC does not automatically put OMC policies on the national political agenda.

Although some OMC policies (especially in the fields of employment and education) have been studied quite a lot, research into politico-administrative relations seem to have been more or less omitted. The OMC literature tends to employ a rather general ideological or academic discourse on the following topics: the modes of democracy; policy innovation; the administrative capacity for the proper reception of OMC policies (especially in new EU member states); the reshaping of national policymaking and the possible changes in the relationships between actors and institutions; “deviant” administrative behaviour; and “creative” bottom-up interpretations of decisions (Stone 1999; Pollitt 2001; Bulmer and Radaelli 2004).

2.3 Factors impacting on politico-administrative relations

Several factors may determine the nature of politico-administrative relations. These include mission, policy, administration and management (Hansen and Ejersbo 2002). In fact, there are tasks and responsibilities that can and must be accomplished by politicians and public administrators, but the way these tasks are distributed among the actors is determined by the characteristics of the decision-making process (Haruta et al. 2009, 76). For this reason, we are only interested in the real life of the relationship between Euro-national civil servants and national politicians in the process of the reception of OMC and OMC-type policies.

Among the factors causing variations is the policy type. In the classical literature we find Lowi’s amended typology of policy issues, which includes the following: distributive issues (involving the distribution of new sources); redistributive issues (changing the distribution of existing sources); regulatory issues (involving the regulation and control of activities); and constitutional policy issues (the establishment or reorganisation of institutions) (Lowi 1972). Given the idiosyncrasies of particular types of policy issues, it comes as no surprise that this is in fact the variable shaping politico-administrative configurations (Sootla 2001). According to Sootla’s typology, the various types of policy are to varying extents burdened by ideological and political characteristics. Distributive policy brings about purely political coordination, which creates the potential for conflict between the sides. Redistributive policy is characterised by policy fit and the consensus among the political elites on the strategic aims, which allows for an emerging balance with an administrative dimension. Regulatory policy is considered to be highly political with interest groups playing a direct role, but with the policy outcomes nevertheless being balanced.

2.4 The analytical model

In this article we assume the architecture of EU governance to be an independent variable. For the purpose of empirical research, our interest is limited to the relationship between the EU-national civil servants and the national politicians involved in putting OMC policies on the national agenda. As the primary factor that shapes the politico-administrative configurations we will consider the relative influence of the policy-sector idiosyncrasies in terms of a policy type that is characterised by a particular level of ideological-political contagiousness. Whilst the presence of a crisis will be considered to be an intervening variable, various kinds of crises (the creation of a new socio-economic-political system; the creation of an independent state; EU integration; the economic and financial crisis) have offered transformative windows of opportunity to change politico-administrative relations.

We selected the three policy sectors according to the level of institutionalisation of soft-law policy processes (Laffan and Shaw 2005): employment (being the most institutionalised), education and environment (being the least institutionalised). Our analysis is based on an analysis of Slovenian legislation and other official documents and EU official documents. From May 2008 to April 2012 we conducted 23 semi-structured interviews with civil servants and politicians at the relevant ministries in Slovenia and with Slovenian interest groups in the policy fields we investigated. We conducted twelve further interviews with officials of the European Commission and the Permanent Representation of Slovenia to the EU in the field of education policy in January 2010. We organised six stakeholder meetings during the period from December 2009 to December 2011 in which stakeholders from the investigated policy fields participated. The stakeholder meetings took place on 10 December 2009, 23-24 September 2010, 20 September 2011, 24 October 2011 and 21 November 2011 at the Faculty of Social Sciences in Ljubljana and on 6 April 2011 at the Environment Centre (*Okoljski center*) in Ljubljana.

3. Politico-administrative relations in the reception of selected OMC policies in Slovenia

3.1 Slovenian public administration and its Europeanisation

Slovenia is a parliamentary democracy. The executive authority at the national level is composed of the state administration (the professional part of the executive) together with the government, the political head of the executive, which directs, coordinates and controls the operations of the state administration through the state ministries (Tičar and Rakar 2011). According to the constitution, the prime minister ensures the unity of political and administrative policies and coordinates the work of the ministers, whilst each minister is responsible for the work of his or her ministry; all of them together are collectively responsible for the work of the government.

In Slovenia, the transition to democracy and a market economy as well as the creation of an independent state took place at the beginning of the 1990s. Slovenia's relatively rapid inclusion in the process of European integration was already underway by the mid-1990s (Fink-Hafner and Lajh 2008). Slovenia's EU-integration was

strongly supported by both business and public opinion; the political elite also consensually adopted it as a national goal. The question of Slovenia's membership of the EU was confirmed by a plebiscite majority of almost 90 per cent (see Fink-Hafner and Lajh 2008; Krašovec and Lajh 2009). Like other EU member states, Slovenia can be considered to be a "Europeanisation hybrid" (Knill 2001, 213), because Europeanisation affects different public policies in various ways (see Kajnič and Lajh 2009).

The adaptation of Slovenia's political system (including its public administration) to European integration has been pragmatic and flexible (Fink-Hafner and Lajh 2008). Slovenia's civil servants have gained education and training through the course of numerous technical assistance projects (*PHARE*, *TAIEX*, and *MASTER*) (Pirnat 2011). As part of the challenge of meeting the political criteria (particularly the administrative capacity requirement), a comprehensive reform of public administration was adopted to help bring about the professionalisation of civil servants as well as the distinction between public officials (who perform public functions and the most demanding ancillary work in public bodies) and technical civil servants (Pirnat 2011). Although most officials at the national level have added European matters to their work (see more in Fink-Hafner and Lajh 2008), there remains a deficit of so-called 'European specialists' (Fink-Hafner and Lajh 2008).

Furthermore, politico-administrative traditions from the time when Slovenia was part of Yugoslavia have persisted. These traditions have been closer to the continental European civil service tradition, which differentiates Slovenia from other Central and East European states (Verheijen and Rabrenovic 1999, 5). Slovenia does, however, share some common characteristics with other post-communist countries. This is particularly evident in the practice of politicians (ministers) tending to work with top civil servants. Top civil servants have been, as a rule, replaced, following a change in the ideological persuasion of the government and of a particular minister.

In the process of integrating with the EU, beginning in the mid-1990s, NPM was introduced under pressure from the EU (in collaboration with the OECD). Contrary to initial expectations that the professionalisation of civil servants, and particularly the introduction of open competition, would prevent political interests from directly impacting on the functioning of the administration (Pirnat 2011, 66-68), the statistical data has shown that the adoption of the Civil Servants Act in 2003² (in force since June 2003) has allowed politicians to exert a significant influence on civil servants (Kovač 2006, 62). The Constitutional Court of Slovenia has estimated that government-authorised dismissals of top public managers without breaching the law (put in law) have been excessive (Kovač 2006, 62). The politicisation of public administration is also evident in the prevalent descriptions of the "good relationships between politicians and bureaucrats and the lack of conflicts between the two in the eyes of ministers" (Krašovec and Kovačič 2008). The shift since 2004 from a tri-polar towards a bi-polar party system – along with the competitive swings back and forth between centre-right and centre-left governments (Fink-Hafner 2007, 2014) – has further increased the politicisation of public administration.

² *The Official Journal of the Republic of Slovenia (OJRS) 56/02.*

3.2 Comparing three policy sectors in Slovenia

In order to identify possible distinctions in politico-administrative relations across different policy fields, we will compare three policy sectors: two “typical” OMC policy sectors (education and employment) and one OMC-type (see Homeyer et al. 2004) policy sector (the environment). In order to separate OMC-related processes from other processes, we will consider these cases within the policy fields studied, namely: European Employment Strategy (employment), the Education and Training 2010/2020 Work Programme (education) and green public procurement (environment).

In order to identify the sectoral idiosyncrasies, the following variables will be considered: the national ideological-political idiosyncrasies of the policy sector; the prevalent national orientation in the particular sector; the characteristics of the predominant politico-administrative relations in the policy sector; the external pressures (from the EU and other intergovernmental organisations); and the role of civil servants in policy development in terms of OMC reception at the national level.

Employment policy

The field of employment policy has been burdened with the predominant values inherited from the socialist system, which have translated into voters’ expectations that the state would and should guarantee full employment and general welfare. This explains why the change in the old employment policy paradigm has incurred high ideological and political costs reaching up to the level of the prime minister. During its transition, Slovenia pursued a policy of full employment guaranteeing lifelong employment as well as a reasonable level of social security and welfare. While the labour market remained increasingly rigid and the economy lagged behind other developed countries both in terms of its technological development and its productivity, the disintegration of the erstwhile Yugoslavia destroyed former markets, which increased unemployment (Ignjatović et al. 2002, 210-211). The 1990s employment legislation was prepared in cooperation with the various international organisations, including the EC/EU (Glazer et al. 2002); since 1994, employment legislation has also included the neo-corporatist arrangements that were institutionalised as a tripartite social dialogue in line with the ILO’s model of tripartism.

Employment policy in the EU has come almost full circle with the advent of the Lisbon Treaty. The formation of the EEC was all about economic integration, while employment and social issues were almost an addendum to early treaties. Gradually, social policy appeared on the agenda as a key plank of integration, reaching its zenith in Maastricht and its Social Chapter, after which the realities posed by the push for monetary union and the need to create real jobs meant a softer approach to employment policy. This softer approach followed on from the Treaty of Amsterdam and beyond – all influenced by the steady enlargement of the EU and the recognition that “one size is never going to fit all” (Walsh 2009, 11). The OMC was advanced with the intention that “sizes” between states should not be too big. As a process, the OMC encourages the exchange of information and joint discussions between all

member states to attempt to find joint solutions or best practices which will help to create a greater number of better jobs in every member state.

Slovenia started to adapt to the EU rules and guidelines in the field of employment in the second half of the 1990s, well before gaining full EU membership in 2004. In accordance with the Treaty of Amsterdam, the adoption of which coincided with Slovenia's accession period to the EU, the coordination of the development strategies and policies on employment required EU member states to prepare three documents in the field of employment: (1) annual surveys of their labour markets; (2) long-term employment strategies; and (3) annual employment action programmes in line with the guidelines of the Council of the EU. Although Slovenia was not at that time an EU member state, it nevertheless undertook the preparation of these documents. In cooperation with the European Commission, it prepared a review of the labour market and employment policy, which formed the basis of planning activities in the coming years. In 1999, the Slovenian Government also adopted two programme documents in the field of employment policy (Hagl et al. 2002, 81; Kajzer 2002, 476): the Strategy for the Development of the Labour Market and Employment Policy until 2006; and the National Employment Action Plan for 2000 and 2001. In the pre-accession period, the management of the policy process in the field of employment policy was marked by cooperation among politicians and policy officials, pursuing the common goal of obtaining full EU membership.

The Mutual Learning Programme (MLP) plays an important part in the employment OMC. It was launched at the beginning of 2005 and incorporated the former Peer Review Programme (launched in 1999). Its main objectives have been to encourage mutual learning at all levels and to encourage its stakeholders to promote the wider and more effective dissemination of information about the EES and its implementation. The MLP focuses on specific relevant labour-market themes, which are dealt with within the framework through three strands of activities: (a) twice-yearly EU-wide Thematic Review Seminars on the key challenges or policy priorities; (b) a Peer Review in individual member states, which focuses on specific policies and measures within the broad policy priority; and (c) Follow-up and Dissemination Activities which involve a broader group of national stakeholders and further the cooperation and exchange of good practices between member states. Active participation in such programmes demonstrates the prevalent national orientation in this policy sector. Based on observations of the mutual learning activities, Slovenia has been on average a "good student". Since its accession to the EU and up until the second half of 2010, it has participated in 42 per cent of peer reviews. This is quite an encouraging result, especially according to the restrictions on the number of countries in each review (Interview 2010a) and the large number of participating countries (EU member states, EEA, plus candidate and potential candidate countries). However, during the observed period, on one occasion only did Slovenia host a peer review (see Lajh and Silaj 2010, 52). Slovenia has also been a highly selective participant: in certain substantive areas it has been involved to a great extent, while in other areas it has been inactive. Slovenia has been a frequent participant of peer reviews that cover the topics of active employment policy; but it has not engaged in peer reviews on the topic of passive employment policy (Lajh and Silaj 2010). The empirical evidence reveals that the management of the policy process in the field of

the employment OMC has been defined by the personal preferences of particular civil servants who have opted for select topics and influenced the extent of the country's participation in the MLP, making it one of the most institutionalised areas of the employment OMC.

The non-obligatory nature of the OMC has generated various "sizes" among states. Since Slovenian civil servants have actively participated in peer reviews organised by other countries whilst Slovenia has only once hosted a peer review, Slovenia can be perceived as "a good student, but a reluctant teacher" at the administrative level. The Slovenian domestic environment, however, has resisted the reception of the employment OMC at the political level. Still the political realm has shown more enthusiasm since the global economic and financial crisis and the increasing external pressures (from the EU and OECD). Once politicians put the reforms on the national agenda, the strategy of "active aging" and the concept of "flexicurity" began to influence the formation of policy alternatives (among them the so-called "mini job" reform as well as changes to the pensions legislation). Nevertheless, the social partners vetoed the implementation of the "flexicurity" concept in the Slovenian labour market (Lajh and Štremfel 2011, 128). EU-national civil servants did not play a discernible role in these processes, as the minister preferred to rely on handpicked collaborators.

Education policy

Since the initial formation of modern political parties in Slovenia, education policy has been one of the key sectors of ideological and political conflict – particularly between liberals and conservatives. The various ministers for education have always come from the top cadre of the prime minister's party and since 2000 have all been considered to be the prime minister's party ideologist. Even in the context of the economic and financial crisis, the ruling-party elites have primarily been interested in the (re)distribution of state sources in line with the preferences of their ideological and interest-group networks.

The development of education policy can be divided into several main periods (see more in Lajh and Štremfel 2011). After the Second World War, the Yugoslav Republic of Slovenia increasingly developed its own education policy while retaining some consistency with the common federal arrangement of socialist Yugoslavia. In the context of the development of a democratic political system and the creation of an independent state, developments in education policy have been influenced by Slovenia's membership of and cooperation with various international organisations (more recently the EU in particular) as and when required and to the extent that national politicians believed it to be necessary.

Education in the EU context is an area of policy in which the harmonisation of national laws and regulations with EU legislation is not required. The EU's aim in education is primarily to contribute to the development of high-quality education by encouraging cooperation between member states and by supporting and complementing their actions, whilst fully respecting the responsibility of member states to create their own curriculum content and to organise education systems to fit their cultural and linguistic diversity (Lajh and Štremfel 2010). In the field of education,

the foundations for cooperation between the EU member states have been laid down through the OMC. These include the following: diversified working groups which bring together national experts and the partners concerned; the sharing of practices and experiences regarding common objectives adopted by ministers; defining indicators for monitoring progress; and producing common European frameworks of reference to support national reforms. By introducing the OMC, the Lisbon Strategy established a common European education space in which (hitherto completely heterogeneous) education systems could connect to create a uniform core of lifelong learning (Gornitzka 2005). The Lisbon process and the introduction of the OMC formed the basis for installing the education sector in the broader EU context and for legitimising it as a subject of European integration (Gornitzka 2006).

The preparation for Slovenia's participation in the European education and training programmes began in 1998, when Slovenia began including its pre-school institutions, schools, adult-education organisations, firms, universities, independent higher-education institutions, and other educational organisations in European educational and training projects. In October 2002, the Government of the Republic of Slovenia passed a resolution to form the EU Programmes Agency, thus giving the green light for the foundation of CMEPIUS – the Centre of the Republic of Slovenia for Mobility and European Educational and Training Programmes (Eurydice 2009, 226). In 2004, Slovenia became a full member of the EU and has since then been integrated into all forms of (voluntary-based) international cooperation as well as the coordination at the individual, institutional and governmental levels (Eurydice 2009, 225).

In Slovenia's case, the management of the policy process in the field of education has not changed as a result of the OMC's influence. OMC activities supplement the principal reform process and do not effect any deep systemic change. In this way, for example, the Strategy of Lifelong Learning in Slovenia emerged primarily within the framework of the Ministry of Education and Sport. Therefore, its main focus has been on those solutions and measures directly relevant to the Education and Training 2010 Programme. While policymakers in other fields, such as the economy, have more actively embraced the various emerging OMC proposals, education policymakers seem to find it difficult to accept that the issue of lifelong learning also demands an integral inter-sectoral approach (Lajh and Štremfel 2010). Nonetheless, the stewards of education policy have not only been the ministers responsible for education, but also the ministers responsible for labour and social affairs. The latter have also had an obligation to reach an agreement with the social partners in this policy field. Other policy actors have been the three national agencies, civil society organisations – service providers, producers of “new” ideas and practices, as well as informed critics and advocates of particular policy solutions (for more see Lajh and Štremfel 2011). Although civil society groups play an active role in translating European guidelines into national policies in the field of adult education, civil society groups are not actively involved in the periodic monitoring and mutual learning process; these tasks are performed by EU-specialised civil servants. Slovenian representatives in EU working groups and clusters are usually appointed on their own initiative and are autonomous in presenting ideas and data at the EU level (Interview 2010b). However, EU-national civil servants find resistance when

they try to advocate EU guidelines for consideration at the ministerial level (Lajh and Štremfelj 2011), since ministers tend to rely on their own experts. In addition, weak inter-sectoral cooperation amounts to poor OMC reception in the form of “mimicry”. For example, the adoption of the lifelong-learning strategy and the establishment of advisory bodies such as the “Coordination body of education and training” pay lip service to OMC proposals in education rather than reflecting a desire to implement real change.

Environmental policy

The European environment is among those policy fields that are dominated by regulatory top-down hierarchical governance approaches. However, since the early 1990s (the period in which Slovenian environmental policy began to “shift” towards the EU), “softer” modes of governance, such as consultation and learning processes, were added to the EU environmental governance repertoire (Holzinger et al. 2006; Knill and Lenschow 2005; Jordan et al. 2003; Rittberger and Richardson 2003). Several factors, including the need to harmonise environmental rules to avoid distortion of the single market, contributed to its overall hierarchical character; nevertheless, the emergence of new ideas of governance, an awareness of the inefficient implementation of existing regulatory mechanisms, and the spread of cross-cut paradigms, such as sustainable development, have led to an increased use of “new” governance modes which complement existing regulatory environmental measures.

Although historically, the development of environmental policy in Slovenia has gone through several periods (see Knep and Fink-Hafner 2011), it has not been subject to the same critical ideological-political divisions as other policy areas, and since the mid-1990s, no green political party has managed to enter the national parliament. Slovenia’s environmental policy underwent a major overhaul when Slovenia signed up to the various multilateral environmental agreements and began the process of EU integration (Knep and Fink-Hafner 2011), by which it also came under the influence of the European Commission’s soft-law EU green public procurement policy (GPP) (Knep and Fink-Hafner 2010). The GPP policy at the EU level as well as the participation of Slovenia’s representatives in GPP learning-based policymaking processes began following Slovenia’s full EU membership. Therefore, Slovenia’s participation has not been “forced” or driven by coercive mechanisms. Slovenia’s representatives have participated voluntarily, and certain factors seem to exert a strong influence on the national adaptation of GPP policy content to OMC-type suggested “soft law”. The reception of GPP soft law in Slovenia has been both delayed and modified according to national circumstances. The modifications include the extension of the implementation period, the modification of policy content according to the preferences of national economic interests, and the proposal for a specific legally-binding implementation mechanism (Knep and Fink-Hafner 2010).

In line with the perception that OMC-type policy reception is primarily an administrative process, civil servants have for the most part acted as the chief policy entrepreneurs in putting GPP on the agenda within the Ministry of the Environmental and Spatial Planning in Slovenia. Policy innovations agreed at the EU level have been introduced on to the national agenda with little enthusiasm; the semi-functional

advisory body – the Council for Sustainable Development – was assigned to take care of it. Furthermore, GPP has been adopted with little attention to the national specificities and with some delay (Knep and Fink-Hafner 2011, 137-174).

Non-governmental actors have continuously complained of poor access to information and their weak influence on national-level environmental policymaking. Since Slovenia's OMC-type environmental cooperation has depended on a particularly small segment of policy entrepreneurs – i.e. EU-national civil servants lacking political support in the reception process of EU-coordinated policy – these civil servants have sought legitimacy for their endeavours by inviting civil society actors to collaborate in placing the issue on the national agenda. The global financial and economic crisis has further marginalised environmental policies at the EU level, removing even the supranational pressures which in the past had encouraged EU-national civil servants to ensure that at least some soft-law environmental policies were received in Slovenia.

Administrative traditions, especially weakly developed inter-ministerial coordination and informal coordination among state actors and non-state actors seem to have had a strong influence on the national reception of GPP “soft law”. Additionally, the weak development of national coordination of EU matters has led to a growth in the relative autonomy of middle-ranking officials in the EU political system. In the absence of monitoring and coordinating mechanisms for national officials to participate in less-formal EU decision-making processes, these middle-ranking officials act as policy entrepreneurs. Informal contacts appear to remain important routes for non-governmental organisations to be able to participate in the decision-making processes relating to the implementation of EU soft law (Knep and Fink-Hafner 2010).

A comparative view

According to our findings, the national traditions of politico-administrative relations vary across policy sectors. These variations can be explained by ideological-political burdens and the level of political responsiveness (prime ministerial, ministerial) (Table 1). These variations also correspond to the degree of willingness and the institutionalisation of political communication between politicians and interest groups.

Opportunities to set the national agenda (as part of the OMC reception) can be obtained through the policy entrepreneurship of civil servants and experts when the ideological-political contentiousness of the policy sector in question is weak and the responsiveness resides at the ministerial level. Civil servants may act as technicians, particularly in cases where politicians perceive a certain policy process to be administrative (i.e. in cases of more regulatory-oriented policies such as the environment and taxes). However, wherever there is a political dimension to the policy, civil servants will mobilise the national civil society actors to support the national agenda-setting process. By contrast, when the policy sector is ideologically burdened and explicitly or implicitly involves some form of redistribution (as in the cases of education and employment policies), ministers tend to rely on handpicked experts rather than on civil servants.

Table 1: Features of the three policy fields in Slovenia

POLICY FIELD FEATURES	Education	Employment	Environment
POLICY-SECTOR CHARACTERISTICS			
Ideological-political burden	High	High in special circumstances (change in socio-economic paradigm)	Low
Policy-sector type	Distributive/ redistributive policy	Redistributive policy	Regulatory policy
Politico-administrative relations	Party politics dominates administration; Interest group pluralism	Party politics dominates administration; Impacts of social partnership	Party politics dominates administration; Interest group pluralism
SECTOR-SPECIFIC EU POLICY COORDINATION (EUPC)			
EU-level pressure (hard law; soft law)	Prevalence of soft law	Prevalence of soft law with a few items of the related hard law	Some hard law with a few cases of soft law
Prevalent national orientation	Selective/ nationally politically filtered policy-taking	Selective/nationally politically filtered policy-taking in special circumstances	Policy-taking; lack of national political interest
Politico-administrative relations	Prevalence of party politics over administration; Limited involvement of other national actors	Prevalence of party politics over administration; Social partnership veto points	Administrative autonomy; civil servants' policy entrepreneurship with some collaboration with invited interest groups

Source: Own compilation based on literature review, interviews and stakeholder meetings.

Politico-administrative relations may also vary over time and may even vary across issues within the same policy sector. In spite of external pressures (from the EU, other intergovernmental organisations, and from combinations of external pressures), politicians tend to maintain the upper hand in setting the national agendas (including the reception of the OMC) unless they regard the policy process to be administrative or technical. Only in such cases do civil servants prevail in the process of national agenda-setting, thereby allowing for the reception of the OMC. Civil servants, however, tend to seek political legitimacy by mobilising national civil society organisations at an early stage.

The presence of a crisis (such as the creation of a new socio-economic-political system; the creation of an independent state; the economic and financial crisis) offers a transformative window of opportunity for the introduction of externally developed soft policy innovations into the national policy process. Nevertheless, this may be primarily as an additional policy alternative considered within the framework of national agenda setting as previously determined by senior national politicians. The common feature of the management of policy processes in selected OMC policy fields has been the low level of implementation imperative, as there are no direct sanctions for non-compliance. Although a combination of soft- and hard-law mechanisms can be identified³, the softer approaches triumph, as these allow member states selective convergence to fit their own size. This at the same time supports our hypothesis that in Slovenia the OMC favours civil servants in the management of the policy process at the national level.

4. Conclusions

Our research finds no basis for the thesis that the increasingly strong rooting of the European Commission in national administrations (*via* an elaborate set of policy instruments that directly link bureaucrats at the national and supranational levels) has resulted in EU states becoming administered by the EU. Rather, our research reveals that the variations in politico-administrative relations within the same policy sector depend on whether policymaking is ordinary national policymaking or learning from the EU soft law approach. Furthermore, not all policy sectors appear to be of equal importance for national politicians. Only those OMC mode policies which are distributive or redistributive tend to be politicised at the national level. At the same time, the administration of such policies is also dominated by politics. Unlike ordinary national policymaking, EU civil servants can act autonomously and play entrepreneurial roles in regulatory OMC policies. They do this on their own or in collaboration with invited interest groups. With regard to the introduction of stages

³ For example, in the field of employment policy, pursuant to Article 153 of the Lisbon Treaty, the European Parliament and the Council may by means of directives set minimum requirements in the following areas: improvement of the working environment to protect workers' health and safety; working conditions; protection of workers where their employment contract is terminated; the information and consultation of workers; the integration of persons excluded from the labour market; representation and collective defence of the interests of workers and employers; conditions of employment for third-country nationals legally residing in Union territory; equality between men and women with regard to labour-market opportunities and treatment at work; and the combating of social exclusion.

of OMC policies into national policies, we observe that ideologically-burdened policies are open to OMC policy learning at the stage when national political parties are searching for policy alternatives (the case in point being particularly the national employment policy change in times of crisis), while agenda-setting is more likely when EU civil servants behave as policy entrepreneurs. Nevertheless, all the indicated variations are to a great extent determined by factors that remain within the control of politicians.

We hope our contribution will help facilitate two venues of research. Firstly, while our research focuses on three policy sectors in Slovenia, we believe it provides several interesting findings which call for a broader cross-country and cross-policy sector evaluation. Secondly, the traditional dichotomy of politico-administrative relations appears to be an insufficient approach if we want to better understand the functioning of the linkage between the internationally coordinated policymaking and the national policymaking. Rather, a more complex model needs to be developed in order to better understand the real-life relations between politicians and public administration in a multilevel system of government, such as the EU. In line with our preliminary findings, such a model would also need to take account of the role of external experts, ministerial advisors as well as economic and civil society actors.

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Indicators for Public Sector Innovations: Theoretical Frameworks and Practical Applications

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ABSTRACT

The paper maps and analyzes all existing practical exercises aiming to develop indicators for public sector innovations. To our knowledge this is the first attempt to comprehensively gather information about various international efforts. We only considered such exercises where actual indicators were developed and used at least once. We map five such exercises through extensive desk research and 13 interviews with surveyed project members. The paper shows that all existing attempts to measure public sector innovations operate within a rather limited conception of the public sector (efficiency), neglecting other possible logics (e.g. legitimacy); the existing exercises also neglect large areas of public sector activities, e.g. cooperation with business and third sectors (such as service co-creation, public-private partnership practices). This narrow focus often dictates that indicators and their technical assumptions are copied from the private sector; none of the five analyzed exercises utilized public administration experience and research (e.g. on performance measurement). The paper argues that instead of trying to come up with quantified indicators, public sector innovations should be assessed in complex evaluation frameworks.

1. Introduction

As innovations in the public sector become more important both in public sector reform and academic discussions, so do the attempts to measure these innovations and their effects. However, as with other public sector phenomena, the measurement attempts for public sector innovations are riddled with difficulties, both conceptual (what to measure) and technical (how to measure). Innovations, whether those appear in the public or in the private sector, are directly related to the performance of the organizations that introduce them. Hence, we look not only at the measurement of innovation activities and innovations as such, but also their effects.

In this paper we look at existing practical attempts (projects) to develop indicators for public sector innovations. The aim of the paper is to map these exercises,

their backgrounds, technicalities and eventual successes or failures. To our knowledge this is the first attempt to comprehensively gather information about various international efforts. We only considered such exercises where actual indicators were developed and used at least once. We map five such exercises through extensive desk research and 13 interviews with surveyed project members.

The paper is structured as follows. Based on existing literature on public sector innovations and performance measurement, we first draw up a theoretical matrix of how such innovations could be potentially measured; we propose a set of hypotheses. We propose that public sector innovations can be conceptualized to operate within a matrix of two different logics: the logic of efficiency and the logic of legitimacy; and these logics can be used to either measure innovations within the public sector or innovations through the public sector. Then, second, we describe five actual projects to create indicators for public sector innovations. Third, based on interviews with teams behind these projects, we discuss how these attempts have fared, and what their strengths and weaknesses are. Our conclusion is that all existing attempts to measure public sector innovations operate within the logic of efficiency, neglecting the logic of legitimacy; the existing projects also neglect large areas of public sector activities of cooperation with business and third sectors (e.g. co-creation, public-private partnership practices). Further, we show that the logic of efficiency often dictates that indicators and their technical assumptions are copied from the private sector. We end by showing how public sector innovations could be measured, or at least utilized, in the public sector, from the perspective of legitimacy. We argue that instead of trying to come up with quantified indicators, public sector innovations should be assessed in complex evaluation frameworks.

2. Public sector innovations: what do we attempt to measure?

The first difficult yet obvious question in the context of measuring public sector innovations is what in fact constitutes a public sector innovation (as opposed to simply changes taking place in public sector organizations; see also Lynn 1997, 98). If we were to know how to differentiate innovations from non-innovations in the public sector then a second question would arise: while private sector activities are often measured through various performance management systems, from self-evaluation tools to R&D inputs and outputs to productivity measurements, can these also be used in the case of public sector innovation?

Answering these two questions should give us a landscape within which all theoretically possible and practically experimented measurements of public sector innovations would take place. We attempt to answer these questions by a highly concise summary of existing literature.

2.1 Public sector innovations: what does the literature say?

It turns out that previous literature on public sector innovation says a whole lot of different things about what public sector innovations are. Trying to conceptualize

public sector innovations in fact has a long history, and we can divide these debates into four historical and also conceptually different periods:¹

1. *The Weberian period;*
2. *The Schumpeterian period;*
3. *The organizational theory period;*
4. *The autochthonous theory period.*

In fact *the Weberian period* starts way before Max Weber was even born, namely with Alexis de Tocqueville. These two were engaged in what might be called a rather well hidden debate about public sector innovations (Kattel et al. 2013). Tocqueville's analysis, and admiration, of state level administration is famous, Weber's counterarguments are much more scattered and less well known.² Tocqueville's main question in looking at the US state and especially township-level administration was: how can diverse townships in New England, without central administration, still provide relatively uniform public services, especially under an administrative system where most public functions are fulfilled by elected officials (Tocqueville 1876, 92)? He explained this with judicial oversight of administrations, and called both – decentralized administration and judicial oversight – innovations (ibid.) In Tocqueville's view, decentralized administration with elected officials and judicial oversight works better than centralized administrations (which, he argues, was an innovation of the French revolution; ibid., 121): centralized administrations have more resources, are good at regulating business, maintaining social order and security but also keep society equally from improvement and decline (ibid., 113); centralized administrations are good at mastering resources to combat problems but they are poor at rejuvenating what might be called socio-political resources for change (ibid., 109). When we jump two-thirds of a century further, we can see that all the ills of centralized administration described by Tocqueville become positives in Weber's view: in order to keep social order, that is to retain authority and keep society functioning, centralized bureaucracy is the "technically" better instrument over elected officials (Weber 2002, 156; further also 545-550 and 561). Elected officials and other "*schöpferische' Betätigung der Beamten*" lead rather to unpredictability and to bureaucracy that seeks to retain its own power, in other words to rent-seeking behavior (565). In effect, Tocqueville and Weber talk about, first, enablers and constraints within the public sector, and denote changes to enablers and constraints as innovations (innovations such as the centralization of administrations can constrain local participation in political processes and yet at the same time enable more equitable service delivery). Essentially, for the Weberian period, public sector innovations are such changes in the public sector that realign enablers and constraints and in one way or another influence the authority and legitimacy of the

¹ A more detailed discussion of these periods can be found in Kattel et al. (2013).

² Tocqueville's were published in 1835 and 1840; Weber remarks can be found in *Wirtschaft und Gesellschaft* from 1922.

given public sector actor. This dimension of authority and legitimacy is almost completely missing in all subsequent debates.³

The Schumpeterian period is characterized by Schumpeter's theory of innovation, which in fact is an application in economics and business of his wider theory of how evolutionary change takes place in societies. Alas, Schumpeter never really developed his wider theory of social change (see also Andersen 2009). In his 1939 *Business Cycles*, Schumpeter states, in a footnote, that he "believes, although I cannot stay to show, that theory [of innovation] here expounded is but a special case, adapted to the economic sphere, of a much larger theory which applies to change in all spheres of social life, science and art included" (1939, 97). His 1912 *Theorie der wirtschaftlichen Entwicklung / The Theory of Economic Development*⁴ apparently assumes a similar theory, without going into greater detail, either. We can deduce that what Schumpeter meant by this larger theory of change in social life is that change is driven by entrepreneurial, creative persons, or "new men", as he called them in 1939, that look for "new combinations", that is innovative solutions, and thus bring forth evolutionary changes, entirely new ways of doing things (in business, politics, art, science, etc.) that will spread, in some cases more than others, throughout the given sphere of life. Some of these changes will change value systems and disrupt incumbent hierarchies. In the economic sphere, such individuals drive innovations and, thus, economic growth. The role of the public sector in entrepreneurial innovation is twofold: first, the public sector can take on the role of the entrepreneur (in fact, Schumpeter argues that in socialism, as there is no private ownership, the state will be the sole innovator; 1912, 173); second, innovations in businesses can also be "called forth" by governments (1939, 84).

In sum, what we can take from Schumpeter is that since early theories of innovation, the public sector has had a dual character vis-à-vis innovation: it itself can be changed by innovators, and the state can play a crucial role for business innovations, as well (either by directly leading or indirectly supporting entrepreneurial activity). This foreshadows rather closely the currently emerging conceptual dichotomy between innovations *in* the public sector and innovations *through* the public sector (European Commission 2013; EU Expert Group on Public Sector Innovation 2013).

The organizational theory period. Research explicitly dealing with innovation in the public sector goes back at least to the 1960s; however, its inception seems somewhat accidental in nature. Researchers in organizational theory dealing with innovation and how the organizational structure supports creative work and novel ideas often did not differentiate between public and private-sector organizations (this non-differentiation goes, in fact, back to Taylor's *Principles of Scientific Management* as well as to Weber's bureaucracy as an ideal type for both public and private organizations). For instance, Thompson talks explicitly about business and government orga-

³ It can be argued that a recently emerging literature on social innovation (see Voorberg et al. 2015 for an overview) tries to fill this gap in public sector innovation literature by looking at values and social relevance and thus moves the discussions towards issues of authority, trust, etc.

⁴ We use here the original first German edition, as in later editions (that served as the basis for the English translation as well) these discussions were cut by Schumpeter; so, e.g., the second chapter of the original edition runs to almost 100 pages, the English translation carries only half as many. In this chapter, Schumpeter discusses his theory of innovation.

nizations and their “capacity to innovate” (1965, 1) and defines innovation as the “generation, acceptance, and implementation of new ideas, processes, products or services. Innovation therefore implies the capacity to change or adapt” (1965, 2; see also, e.g., Mohr 1969). Much of the subsequent management and organization theory literature dealing with innovation moves effortlessly from the private to the public sector and back, and deals in fact mostly with the paradox of managers calling for innovative ideas that end up meeting resistance in implementation often from the same managers or organizational structures (Lynn 1997). This strand of research dealt mostly with the diversity of tasks and incentives in an organization (Becker and Whisler 1967 is a good overview). One of the key figures in this tradition is James Q. Wilson, whose definition of (public sector) organizational innovation remained largely the same from the 1960s to the 1980s: “real innovations are those that alter core tasks; most changes add to or alter peripheral tasks” (1989, 225). Wilson, without referring to Schumpeter, understood these alternations in core tasks to be evolutionary in nature and in impact: “Government agencies change all the time, but the most common changes are add-ons; a new program is added on to existing tasks without changing the core tasks or altering the organizational culture” (ibid.).

Thus, there is a rather extensive literature that emerged from organizational theory that incidentally or purposefully deals with public sector innovation and where the latter is defined more or less similarly from the 1960s to the 1990s. This literature uses a more or less varied Schumpeterian notion of innovation, but it almost does not differentiate at all between private and public sectors, and thus innovations in any organization can be defined as significant and enduring changes in core tasks. This way innovation should be different from incremental changes in organizations (public or private) and in fact is similar to (technological) breakthroughs familiar from the private sector evolutionary literature (see, e.g., Lynn 1997, who explicitly uses the concept of breakthrough).

The autochthonous theory period. In the 2000s, literature dealing with public sector innovation tried to move away both from private sector Schumpeterian approaches emphasizing novelty in action and from organizational-level changes towards innovation genuinely attributable to the public sector and towards discussing innovations in public services and governance (see, e.g., Hartley 2005; Moore and Hartley 2008; also Verhoest et al. 2006; Pollitt 2011; Osborne and Brown 2005, 2013). Some of this literature is derivative from service innovation literature, which tried to address the specificities of innovation in service industries. This literature itself developed through several stages: from focusing on technology adoption as a driver for innovation in services towards the endogenization of innovation in services (both private and public) (Djellal et al. 2013; also Gallouj and Zanfei 2013; also Fuglsang 2010). However, while there is a distinct attempt to discuss public sector phenomena (i.e. the decentralization of agencies or regions) and move away from the private-sector categorization and concepts (such as product, service and other types of innovations; concepts of life cycles and trajectories), there is hardly any substantial change in terms of conceptually differentiating public sector innovations from the private sector ones. The main tenets are still changes that are new to the organization and that are large and durable enough (e.g. Hartley 2005, 27; Moore and Hartley 2008, 5), or represent discontinuous change (Osborne and Brown 2005,

2013). Hartley, for instance, delivers a useful discussion of the difference between public sector innovations in traditional, new public management and network-based paradigms of public administration (2005, 28-30). Yet, her conceptual framework is hardly different from Wilson's. Similarly to organizational theory literature, also the most recent literature on public sector innovation in the end sees innovations in the public sector as something different from incremental improvements, and that can also fail and not lead to a better public service.⁵ Thus, e-voting would constitute for most public sector researchers a real innovation and yet some would argue that this innovation did not really bring any improvement, or at least that the jury is still out. However, in most cases the line between innovation or not, improvement or not, is not only tenuous at best, often it seems plain arbitrary. Moore and Hartley (2008), for instance, use contracting out and private public partnerships for public sector innovation as examples; in other words, public sector innovation is another term for NPM-style reform practices.⁶ Thus, what is and what is not an innovation seems rather arbitrary or subjective, and this is further complicated by the fact that most attempts at measuring public sector innovations use surveys (as we will show below) – in essence further cementing subjectivity into the discussion.

Summarizing 150 years of discussion, as sketched above, on conceptualizing public sector innovations and innovations generally, we can draw the following conclusions:

1. From the oldest literature discussing public sector innovations (Tocqueville, Weber):

- Public sector innovations are in the most abstract sense related to public authority;
- Innovations lead to evolutionary changes in constraints and enablers that are intrinsic to the public sector (rules, relationships, institutions);

2. From more recent public sector innovation literature:

- These evolutionary processes use different modalities (innovations within and through the public sector), agency (the public sector proactively initiates changes or reacts to technological, environmental, etc., changes), and morphology (from incremental to discontinuous changes);
- Current literature on public sector innovations rarely deals with authority (and related phenomena, such as legitimacy, trust, etc.) but rather with relatively specific features of these changes, e.g. with specific modalities (within public sector organizations), agency (reactions to external stimuli such as technology, politics, social challenges) and morphology (incremental changes); most of these changes are in fact not evolutionary, or their impact remains difficult to discern.

⁵ See, however, Fuglsang 2010.

⁶ See Drechsler 2005 on the role academic and policy talk fashion plays in such re-labelling practices.

2.2 Public sector performance measurement: what can we learn for measuring innovations?

While measuring public sector innovation is still in its infancy, there is a veritable tradition of measurement in the public sector that we can look to for inspiration, namely performance measurement. Many different things can be measured in terms of services provided by the government ranging from inputs/resources, throughputs/processes, outputs and outcomes/impacts (see, e.g., Packard 2010; Kuhlmann 2010; Sillanpää 2013). This has also led to the proliferation of performance indicators, which does not necessarily mean that the quality of indicators themselves has improved (Lonti and Gregory 2007; Drechsler 2019 on indicators, and Kattel et al. 2018 on the wider discussion of evaluation in the public sector). The goals of this process are usually tied to ideas of advancing transparency, learning, appraising, sanctioning and also showing accountability in the public sector. Simply put, the argument for measurement is based on the assumption that “what gets measured, gets done” (Osborne and Gaebler 1992). Effectiveness in the public sector is seen in theory as value creation to the citizen, which, however, has no real maximum and, thus, is very hard to quantify (Tangen 2005). Various measurement systems have been suggested to the public sector from balanced scorecards to quality management models to deal with measurement (Hasan and Kerr 2003; Sahay 2005). However, many challenges in using indicators as performance management tools have been brought out over the last decades, and while the critiques are cyclically repeated and sometimes advanced (e.g. Ridgway 1956; Smith 1995; van Thiel and Leeuw 2002; Miller 2003; Pidd 2008), very few solutions have been brought out to tackle these challenges. The main challenges of measurement in the public sector, not only technical but also conceptual ones, can be summarized as follows:

1. The diverse nature of public sector services, the wide range of users and the difficulties in defining targets (Arnaboldi and Azzone 2010). Targets do not adhere to singular profit imperatives in the public sector (Van Thiel and Leeuw 2002). When multidimensional impacts – tangible and intangible, financial and value-based, individual and system level – are concerned, prospects on how to measure these effects are largely missing in academic literature.
2. Many economic impact-evaluation methods are almost impossible to use in the public sector simply because they require effects (also intangible ones, e.g. improved health, quality of life, etc.) to be monetized. As such, measurement in the public sector is usually limited to the “product” rather than a process, “throughput”. Consequently, measures are faced with the problem of “product” definition: for example, how to measure research (by scientific publication?), successful treatment (reoccurrence?) or even deterred crime. For this, tolerance of multiple definitions has been suggested as a possible solution that could capture multiple values (de Bruijn 2002).
3. At the same time, measurement in general is static, while the processes are clearly dynamic. There are time lags connected to the effects of many policies and also public sector performance. When a long-term view is taken into

consideration, present actions can be questioned (Brax 2007). Welfare services, with a traditionally very high number of performance indicators, are found to lack measures to demonstrate the various long-term effects (Sillanpää 2013). These are problematic to measure, not only because of the unknown, but also most strategic planning cycles are 4-5 years long at most. However, in many cases, success can only be shown through long-term effectiveness that is usually only possible to describe in qualitative effects (e.g. Porter 2010).

4. As such, the application of quantitative performance measurement usually rests on proper measurement scales with decreasing ambiguity and uncertainty (see Pidd 2008). However, in this regard there are clearly situations where quantitative indicators are not the best measures. This occurs especially when practices in the public sector are in transition, complex issues are faced and when standards in place are contested (see Noordegraaf and Abma 2003). This usually leads to a value debate, for which quantitative numerical indicators are not useful (they simply represent one limited dimension of values) and the expert opinion-based approach of professional agreement is a more advanced form of evaluation.
5. Furthermore, in situations that have been described as “wicked problems” in the public sector (Rittel and Webber 1973) – i.e. innovative and sometimes conflicting processes that are not routine – conventional control systems (including static measurement) are found to make no sense, as a certain level of ambiguity and uncertainty is necessary in the processes.

The quest for measuring public sector productivity – a central concept in understanding private sector innovation dynamics on the organizational, sectoral, regional and national levels – only amplifies the conceptual and technical problems related to general public sector performance (change) indicators. Public sector productivity has many different meanings, and its significance has changed constantly over time (Andrews and Entwistle 2013, Rutgers and van der Meer 2010). It is mostly regarded today as a technical term, which refers to the ratio of outputs to inputs in producing public services (Pollitt and Bouckaert 2011, Andrews and Entwistle 2013, Rutgers and van der Meer 2010, Dunleavy and Carrera 2013). The definition of productivity is often used as a synonym to public sector technical efficiency, and in fact the terms of public sector productivity and efficiency tend to be used interchangeably in the literature (see various definitions outlined in Rutgers and van der Meer 2010, but cf. Dunleavy and Carrera 2013). At the same time, a clear distinction is usually made between productivity and related concepts. For example, while productivity (efficiency) refers to the “amount of resources used to produce a unit of output”, effectiveness is mostly understood as the “the extent of goal achievement” (Etzioni 1964 in Lane 2000, 62). This, in turn, implies the need to distinguish productivity from other related concepts (in addition to effectiveness, e.g., economy, cost-effectiveness, value-for-money) when dealing with public sector performance (see also Rutgers and van der Meer 2010, Dunleavy and Carrera 2013).

At the same time, this technical approach to public sector productivity has been repeatedly challenged (see Rutgers and van der Meer 2010 for an overview), and in

spite of the simple and eloquent definition of public sector productivity, the concept has proven to be all but unambiguous and uncontested. The simple issue that in most cases there are no markets and prices for public services means that productivity calculations would prove impossible. The central normative debate has been about the proper place of productivity among other public sector values and whether the technical approach is at all useful for the public sector. Moore's (1994) public value concept, which aims at a shift away from productivity to broader public value creation, is an example of a more recent approach reflecting the general discontent with regard to the market-loaded productivity thesis. According to the public value framework it is the citizens who should decide and express through the democratic process what kind of values are to be created by the public sector and how (O'Flynn 2007). And productivity may not even be among the parameters that the processes and outcomes of the delivery of public values are evaluated against. In short, it is the responsiveness to citizens that matters the most rather than how to structure for the efficiency that the critics insist on. This debate has some conceptual affinity to the debates about legitimacy and trust, although these remain not spelled out.

What becomes evident from the above is that although the concept of productivity seems to have occupied a highly prominent place in contemporary public policy and administration rhetoric, it has not, for various political, conceptual and analytical reasons, been extensively applied into the study and practice of public administration.

The recent developments in public productivity measurement may offer a step forward in terms of organizational productivity (e.g. Dunleavy and Carrera 2013), but the systemic perspective is still largely missing. If we look at our discussion of public sector innovations above and compare it to the productivity debate, we note a latent conflict: while productivity is best measured on organizational bases, innovations are systemic, at least on the level of a sector, that is, their impact on concrete organization may be vague and indirect and likely also with serious time lags.

Another emerging approach is experimental designs to measure performance. Experimental designs, such as randomized controlled trials (RCT), originating from medicinal drug trials, have recently gained significant traction in development economics (e.g. Banerjee and Duflo 2009; Banerjee et al. 2015) as well as in education and social science research (Torgerson and Torgerson 2008). When it comes to experimental evaluations of the effectiveness of policy interventions, RCTs are considered to be the new "gold standard". Some authors argue that RCTs are particularly suitable for the evaluation of socially complex interventions as they are able to filter the relevant data from background noise (Sheldon and Oakley 2002). Other claims in defense of RCTs and other experimental and quasi-experimental designs as reliable methodologies include: claims regarding external validity; internal validity ensured by random allocation; control and reference groups, at least in theory, are equal in terms of characteristics important to the study. The very common issue, however, when one applies RCTs beyond their initial domain of drug efficacy testing is exactly the lack of ecological validity and generalizability beyond the initial sample. A less mechanistic approach to doing RCTs based on a mixed method approach can potentially, at least to a degree, address the issue of generalizability beyond the initial sample, thus allowing it to make judgments regarding the further

diffusion of successful innovations. The potential to use social media and related methodologies (e.g. social tagging) as experimental designs for public sector innovation measurements could be a future avenue for both practitioners and academics alike. However, currently we can only hint in this direction, there seems to be no significant research available.

2. 3 Theoretical matrix and hypothesis

Based on the discussion of the two literature strands presented above, namely that focused on conceptualizing public sector innovation and that focused on measuring public sector performance and productivity, we can argue that the two fundamental dimensions particularly relevant to measuring or analytically capturing public sector innovations are:

1. **Logic of proposed or implemented changes:** This dimension has at its one extreme the *logic of efficiency* (or productivity), where changes deemed innovations bring more for the same or even less money; at the other extreme is the *logic of legitimacy*, where changes deemed innovations bring more legitimacy for public sector activities. Obviously, both extremes need to be captured analytically, and thus also measured, differently. We propose some of the most obvious ways how to measure these and suggest a rough taxonomy based on this dimension (Table 1).

Table 1. **Logic of efficiency.**

Efficiency	←-----→			Legitimacy
Input/output productivity	Performance measurement (outputs, outcomes etc.)	Self-evaluation tools (e.g. EFQM excellence model etc.)	Satisfaction surveys, trust surveys	Real-time (social) media watch

2. **Impacts and feedback loops of proposed or implemented changes:** Innovation in the public sector does not happen in isolation, but often engages some external parties, be those from the public, private or non-profit sector. This dimension has at its one extreme impact/feedback from what is deemed innovation within the organization and at its other extreme impact/feedback within the private sector. Again, we can argue that both extremes need to be analyzed and measured differently, and again we can draw up a taxonomy of forms of impact/feedback that needs to be differentiated (Table 2).

Table 2. **Dimensions of public sector innovations.**

In public sector	←—————→			Through public sector
Within a public sector organization productivity	Between public sector organizations	Public-private partnerships	Co-creation practices	Private sector activities

These two dimensions should describe both the entirety of possible changes in the public sector that could be conceivably seen as innovations in the public sector and also describe exhaustively ways to measure or at least analytically capture such changes and their effects (Table 3).

Table 3. **Analytical matrix.**

In / Efficiency	Productivity	Performance	Self-evaluation	Surveys	Social media	Legitimacy
Within public organization						
Between public organizations						
Public-private partnerships						
Co-creation						
Private sector						
Through						

We can use this matrix to analytically map and locate existing attempts to measure public sector innovations.

First, however, based on our discussions above, we can derive a set of soft hypotheses (or expectations) from previous literature strands:

H1. Because of the influence of private sector innovation measurement literature,

H1a. efficiency and productivity are key drivers of why and how indicators for public sector innovations are created and used;

H1b. indicators mostly capture incremental changes rather than discontinuous change.

H2. As there are large gaps in public sector innovation literature on trust, legitimacy and similar issues,

H2a. these play almost no role in why and how indicators are created,

H2b. but they do play some role in how they are used.

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H3. Given the widespread use of performance measurement systems in the public sector, we expect attempts at connecting these with innovation indicators.

H4. As legitimacy, trust and similar issues are difficult to measure,

H4a. they are not captured at all by indicators and

H4b. direct feedback systems (social media) are not used.

H5. Public sector indicators capture either innovations within public organizations or through the public sector on businesses, but not both.

H6. Public sector innovation indicators capture public sector reactions to technological change and not public sector initiatives to drive technological change.

3. Description of attempts and projects

Quantitative large-scale studies aimed at measuring innovation have previously mostly targeted innovation in the private sector (e.g. Community Innovation Survey). Although there have been previous attempts at measuring public sector innovativeness (e.g. Roessner 1977), systemic approaches to public sector innovation surveys started to appear only during the recent decade. Arundel and Huber (2013) have conducted a literature search to identify 18 studies aimed at evaluating innovation in the public sector using 15 large-scale data sets. These studies focused on developed economies and also excluded service providers for health and education. Most of the studies did not cover all five categories of the public sector, mostly focusing on public administration. We have identified 5 such experiments that resulted in actual indicators developed and used at least once (these are summarized in Table 4):

- **MEPIN (Measuring Public Innovation in the Nordic Countries).** MEPIN project aimed at devising a conceptual framework and a survey questionnaire. The conceptual framework is built upon the insights from the Community Innovation Survey (CIS) that is intended for measuring innovation in the private sector, adjusted to suit the needs of the public sector, as well as on the existing work on public sector innovation. The preliminary conceptual framework was piloted in all five Nordic countries.
- **European Public Sector Innovation Scoreboard (EPSIS).** As part of a preliminary work in developing public sector innovation indicators, an Innobarometer survey was conducted in 2010, which consisted of 24 questions. The survey involved 500 public organizations coming from across public administration, higher education, local authorities and hospitals from

all 27 member states. EPSIS was developed along the lines of the Innovation Union Scoreboard that targets innovation in business enterprise, distinguishing between three factors – enablers, activities and outcomes. However, in contrast to other studies mentioned here, EPSIS also includes measurements of the impact of public sector innovation on the performance of businesses.

- **Australian Public Sector Innovation Indicators Project (APSII).** The Australian Public Sector Innovation Indicators Project is the latest among the efforts around the world in measuring innovation in the public sector; and it incorporates all the lessons learned from earlier efforts of other countries discussed here. In contrast to the methodology applied in the European surveys (mirroring the CIS methodology), the APSII project proposed for a pilot a methodology based on a survey conducted in two modules – an agency and an employee survey. A conceptual framework used in the APSII project for measuring innovation in the public sector incorporates five main themes: inputs to innovation, innovation processes, outputs of innovation, outcomes of innovation, and environmental conditions that affect innovation in the public sector.
- **United Kingdom (NESTA).** In 2008-2009 the National Endowment for Science Technology and Arts (NESTA) commissioned six exploratory studies on public sector innovation with an aim to develop a new Innovation Index. The London School of Economics Public Policy Group (LSEPPG) developed its public sector innovation index on the basis of a survey of studies performed previously, thus taking into account the possible shortcomings and benefits of the previous efforts.
- **Korean Government Innovation Index.** The Government Innovation Index (GII) is an online innovation measurement tool devised by the Headquarters for Government Innovation under the Ministry of Government Administration and Home Affairs of Korea in 2005. The GII is one of the early efforts aimed at measuring innovation in the public sector, thus providing insights for the subsequent innovation indices developed elsewhere. The GII is designed to measure innovation in government agencies, focusing on a set of innovation management components, including innovation leadership; vision and strategy; personnel capacity; implementation of innovation; improvement of performance; and barriers to innovation. The data-collection process required three randomly selected representatives of respondent agencies to fill in the online questionnaire.

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Table 4. Different approaches to public sector innovation measurement adopted in a range of studies

Indicator/ Study	EPSIS	UK NESTA	APSC	LSEPPG	MEPIN
Inputs/ Enablers	<p>Human Resources: Share of “creative occupations”; Share of employees with a university degree;</p> <p>Quality of public services: Government effectiveness; Regulatory quality; Increased efficiency of gov services due to ICT; Online availability of public services; e-government development index.</p>	<p>Innovation capability: leadership and culture; management of innovation; organizational enablers of innovation;</p> <p>Wider sector conditions for innovation: incentives; autonomy; leadership and culture; enablers.</p>	<p>Investment in intangible assets; Innovation expenditures; Human resources devoted to innovation; Staff skills for innovation; Staff attitudes and attributes to innovation; Sources of information; Technological infrastructure for innovation.</p>	<p>R&D activities (e.g. dedicated innovation or R&D unit; dedicated strategy unit; expenditure on consumer or market research; expenditure on development and implementation of innovations);</p> <p>Consultancy and strategic alliances (e.g. No of joint ventures; consulting expenditures; collaboration programs with universities);</p> <p>Intangible assets (e.g. patents; IPR development activities; unit responsible for IPR; trademarks);</p> <p>ICT infrastructure;</p> <p>Human resources (e.g. staff with grad education; job satisfaction; performance-based promotion system; churn of personnel; etc.)</p>	<p>Information sources: channels of knowledge transfer; interactions between public organizations and other actors (i.e. enterprises, citizens);</p> <p>Driving forces: people, organizations and other factors that push organizations to innovate (e.g. new policy priorities, regulations, citizen feedback, staff, management);</p> <p>The role of ICT;</p> <p>Barriers: political factors, bureaucracy, other internal conditions, such as lack of incentives for staff to innovate; external conditions such as resistance of users to change.</p>
Activities/ Processes	<p>Capacities: Share of service innovations in-house; Share of process innovations in-house;</p> <p>Drivers and barriers: Internal barriers to innovation; External barriers to innovation; Management involvement in innovation; Importance of external knowledge; Share of employees involved in innovation.</p>	<p>Accessing new ideas;</p> <p>Selecting and developing ideas; implementing ideas; diffusing what works.</p>	<p>Explicit innovation strategy and targets;</p> <p>Systematic, internal measurement and evaluation of innovation;</p> <p>Management practices for innovation;</p> <p>Incentive and reward structures;</p> <p>Practices for learning and diffusing knowledge and innovations;</p> <p>Innovation collaboration and alliances;</p> <p>Perception of enablers and barriers to innovation.</p>	<p>Institutional performance (e.g. percentage of targets met; average time to deliver outputs; change program in place; prizes and awards for innovations, etc.)</p> <p>e-government, online services (percentage of services that can be requested online; % of services that can be delivered online);</p> <p>origins of innovation (e.g. how many innovations as a result of EU regulations; innovations as a result of ministerial/political suggestions; customer suggestions; management suggestions)</p>	<p>In-house activities: in-house R&D; internal or external training and education of staff for innovation activities; other in-house innovation activities (e.g. planning and design, market research; feasibility studies, testing and other preparatory work for implementation of innovations);</p> <p>External activities: external R&D; other consultancy services; acquisition of external know-how (patents, licenses, etc.); acquisition of equipment/software.</p> <p>Procurement practices – acquisition of services, components or software from ICT suppliers, contracting for management services.</p> <p>Organizing innovation: innovation strategy; the role of management; organizing innovation activities; and organizing competences.</p>

Indicator/ Study	EPSIS	UK NESTA	APSC	LSEPPG	MEPIN
<p>Innovators: Share of organizations in public administration with different types of innovation; Share of new services out of all services innovations; Public sector productivity.</p> <p>Effects on business performance: Improvements in public services for business; Impact of innovative public services on business;</p> <p>Public procurement: Gov procurement as a driver of business innovation; Procurement of advanced technology products; Importance of innovation in procurement.</p>		<p>On-going innovation projects; Types of innovations; Degree of novelty and scope of innovations (incremental vs radical innovation); Innovation intensity; Related, intangible outputs (patents, trademarks).</p>	<p>Number of innovations developed for delivery of new outputs; number of innovations improving existing outputs; number of innovations altogether; New outcomes.</p>		
<p>Outcomes</p>		<p>Quality and efficiency; Productivity; User satisfaction; Employee satisfaction; Societal and environmental impacts; Other intangible effects (increased trust, legitimacy); Effects of innovations.</p>			
<p>Impacts/ Effects/ Other</p>	<p>Improvement in organizational key performance indicators; improvement in service evaluation; improvement in efficiency; improvement context.</p>	<p>Environmental conditions: User innovation; Supplier innovation; Wider public sector culture and leadership identified as drivers or barriers; External political and legislative factors identified as drivers or barriers; Leadership and culture; Public tolerance of risk.</p>	<p>Number of innovations joining up across other gov organizations; number of innovations improving performance; Number of people that have been affected by innovations introduced in the government organization for the provision of new or existing outputs.</p>	<p>Measuring effects or objectives: efficiency, quality, ICT, organizations and staff; other factors – health and safety.</p>	

Source: authors' elaboration on the basis of LSEPPG 2008; Bloch 2011; Bugge et al. 2011; DIISR 2011; Arundel and Huber 2013; Alliman et al. 2011; EC 2013; Eun Kim et al. 2007.

4. Discussion

We interviewed members from all five projects.⁷ We can bring out the following key strands of ideas emerging from interviews.

1. *Motivations behind creating indicators.* In most cases some form of political demand played an important role: as public sector innovations are an emerging issue for many governments, there is also a need to understand its impact better. Also supranational organizations such as the OECD and the EU play a crucial role in initiating, funding and facilitating such attempts. In all cases, organizations taking up the task of creating public sector innovation indicators had significant prior experience with measuring business innovations. However, the overarching idea behind creating new indicators for public sector innovations is strongly associated with justifying and legitimizing public sector activities.
 1. Within the wider context of political demand, the current attempts to measure public sector innovation tend to also reflect individual preferences of sponsoring organizations. For example, EPSIS was designed in cooperation with various EC directorates and thus ended up measuring both innovation in the public sector and innovation through the public sector, whereas other attempts focused more on innovation within the public sector. The nature of political demand also had other important consequences on how the measurement efforts evolved. The demand in general has been short term oriented leading to the application of existing, but partially questionable private sector innovation methodologies. The ability to compare private and public sector innovation performance was one of the driving forces behind the application of the Oslo manual to the public sector context. In effect, the goal was to show that the public sector was as or at least comparably innovative. At the same time the political demand has been rather inconsistent, as in most cases it is not known if and how the measurement attempts will be prolonged.
2. *Theoretical discussions and ideas behind indicators.* In all cases key people involved with developing indicators were economists by background and readily admitted that business innovations were an important theoretical vantage point. However, all also admitted that the public sector has unique logics that are often difficult to separate from each other and consequently also to measure. Significantly, all projects realized only after the empirical exercises that they would have needed substantial input from public administration and governance scholarship. In addition to the need to add public sector specific logics, important difficulties were discovered in applying the existing private sector innovation measurement methodologies into the realm of the public sector. Issues like innovation output, significance of innovation and innovation failures that occupy a central place in private sec-

⁷ A list of interviews is in Appendix 1. The interview structure and questions are in Appendix 2.

tor innovation measurement methodologies were almost impossible to measure in the context of the public sector. One of the lessons was that innovation perception is different (more problematic to discern between process and product innovation or to explain what is and what is not innovation) in the public sector and thus indeed assumes a revised theoretical framework for indicators and the definition of innovation itself for the public sector. At the same time, all projects seem to have been in discussion with each other and trying to learn from each other's successes and failures.

3. *Relevance of productivity measurement.* While productivity in the public sector was deemed an important driver of attempts to measure public sector performance, most experts argued that it is much too difficult to measure in the public sector, and thus their indicators do not reflect this or do so only indirectly by studying favorable conditions and inputs assumed to be capable of leading to higher productivity. Outcome measurement as a whole was very weak in all the measurement exercises.
4. *Relevance of performance measurement.* Performance measurement practices have played almost no role at all in developing public sector innovation indicators. At the same time performance measurement has been one of the most studied issues in recent public management debates and could provide ample ideas for linking performance measurement with innovation. This seems to be strongly related to missing public administration and management competencies in all projects.
5. *Relevance of legitimacy, trust.* Legitimacy and trust played no role at all in developing indicators. In a rare occasion it was seen as an important input to innovation, but it was not included in the measurement effort. As put by one of the respondents: "Trust is important, but we don't capture it in the measurement." Again, we can guess that it has to do with the fact that it is methodologically difficult to capture these issues and that experts with such skills were not involved.
6. *Who uses indicators and how.* Predicted use of indicators varies quite significantly from in-house management tools to country-to-country comparison and benchmarking. Also, as indicated above, the ability to compare private and public sector innovation performance was one of the motivations behind launching these attempts. The variety of use of the indicators reflects both the mixed motivations of individual sponsors of the measurement attempts and the limited validity and reliability of the results. However, it is important to note here that all the interviewed stakeholders were very aware of the limitations of the measurement attempts, which is why we can also see a rather different mix of actual use of the measurement results.
7. *Future and evaluations of indicators.* No projects have been formally evaluated; it is also not certain that any of the projects will be repeated in the future (EPSIS seems to be most certain to be repeated) or developed into a working tool for other organizations (OECD work on updating the Oslo manual will utilize some of the work done in MEPIN and EPSIS). This seems to stem from difficulties involved both on the technical side (availability, comparability of data) but also practicality (in most cases the results

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do not tell managers, politicians or citizens much, and it is expensive to gather new forms of indicators). Still, all the stakeholders – and in spite of the existing limitations – are positive regarding the need to continue with the measurement attempts and develop the indicators further. There are, however, different ideas around how to best proceed with the public sector innovation measurement attempts. By and large, these ideas fall into two groups: a) more sophisticated surveys that would better address the existing limitations, and b) more focused and narrower studies on specific public sectors and phases of innovation (e.g. adoption/diffusion).

We can also now look at our hypothesis again.

H1. Because of the influence of private sector innovation measurement literature, H1a. efficiency and productivity are key drivers of why and how indicators for public sector innovations are created and used:

This is only partially the case because private sector measurement practices play an important role as far as the technical expertise of developers is concerned, at the same time the developers were acutely aware that private sector instruments and indicators cannot be used in the public sector. Also the ideas of efficiency and productivity play an important role as guiding ideas how to measure public sector performance (they were used in the conceptualization process), but at the same time due to data and other technical difficulties, these ideas are not strongly reflected in actual indicators.

H1b. indicators mostly capture incremental changes rather than discontinuous change:

As all indicators have strong survey elements, this seems to be the case since incremental changes are easy to report while discontinuous change is technically more difficult to define and hence also to report. In most cases the level of change – incremental or transformative – is not captured at all or only indirectly (by proxies: e.g., deployed person-months etc.) in the measurement effort. However, what was also indicated by the interviewees is that in most cases public sector innovation is perceived as something leading to positive impacts. Public servants find it very difficult to relate negative changes with innovation, meaning that many important incremental changes stay out of the public sector innovation measurement focus.

H2. As there are large gaps in public sector innovation literature on trust, legitimacy and similar issues,

H2a. these play almost no role in why and how indicators are created,

This was indeed so; also because no experts with public administration and management skills were involved in any of the projects.

H2b. but they do play some role in how they are used.

All people interviewed admitted that this indeed would be an important issue for future indicators. At the same time they brought out problems of conceptualizing and measuring legitimacy.

H3. Given the widespread use of performance measurement systems in the public sector, we expect attempts at connecting these with innovation indicators.

This was not at all the case, also because no experts with public administration and management skills were involved in any of the projects. At the same time, it can be argued that most projects in fact wanted to measure and capture public sector performance, which is why certain organizations perform better than others. This was, however, often clothed in different, private sector innovation language (e.g. in terms of barriers, drivers, funding, and other indicators). On the basis of this we can argue that approaches for measuring innovation in the private sector, including service innovation, are not instantly applicable to public sector innovation and need to be adjusted.

H4. As legitimacy, trust and similar issues are difficult to measure,

H4a. it is not captured at all by indicators.

This was indeed the case as admitted by all respondents.

H4b. and direct feedback systems (social media) are not used.

This was indeed confirmed, at the time when research was conducted there seemed to be no attempts under way to use social media or relevant feedback mechanisms for public sector innovation measurements.

H5. Public sector indicators capture either innovations within public organizations or through the public sector on businesses, but not both.

The different indicators indeed tried to capture either one or the other. There were no attempts, for instance, to capture various PPP or co-creation practices, although PPP and outsourcing were studied as indicators of innovation through public sector.

H6. Public sector innovation indicators capture public sector reactions to technological change and not public sector initiatives to drive technological change.

Indeed, there were no indicators capturing the latter, the only exception is the MEPIN project.

Finally, we can plot all existing exercises of indicators on our theoretical matrix.

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Table 5. Existing exercises at the measurement of public sector innovation evaluation matrix.

In / Efficiency	Productivity	Performance	Self-evaluation	Surveys	Social media	Legitimacy
Within public organization		APSII NESTA	APSII			
Between public organizations			MEPIN			
PPP						
Co-creation						
Private sector	EPSIS	EPSIS				
Through						

While none of the project fit into only one definite box in our matrix, it is also clear that the existing projects to develop public sector innovation indicators are rather strongly biased towards measuring only specific types of activities within or through the public sector and use a relatively limited set of tools for this. The current approaches to measuring innovation in the public sector are to a large extent based on experiences in measuring innovation in the private sector and have been developed by experts without specific knowledge of the public sector. Therefore, these attempts, focusing largely on how innovations affect efficiency and the performance of public organizations, disregard the aspects of trust and legitimacy, which are both key indicators of the performance of public sector organizations. These approaches also treat public sector organizations as consumers of technology and disregard the capacity of public sector organizations to drive technological change. In part this also explains the focus on incremental change, while radical transformations do not receive the attention those deserve. This can also be partly explained by the fact that public sector innovation is largely perceived through the prism of service innovation literature, which itself focuses largely on incremental organizational change.

Based on our theoretical matrix, we can deduct the most important gaps in the current public sector innovation measurement practices:

1. Public administration attempts to evaluate and analyze public sector performance should be utilized when developing public sector innovation measurement tools.
2. Experimental designs utilizing social media as an instant feedback loop for public sector activities should offer new and interesting avenues to link legitimacy and trust issues to public sector innovation measurements.
3. Inter-organizational and citizen-public sector partnership practices should be considered as a central dimension in enabling or constraining experimentation and thus be carefully measured in order to understand innovation in the public sector.

4. The target group for such measurement exercises should be more clearly outlined: citizens (measurement used as a communication tool), politicians (as a feedback tool) or civil servants (as a learning tool).

In sum, as an alternative way of conceptualizing the measurement of public sector innovations, we propose to use evaluation frameworks, as we used above. In our view such matrixes can be turned into evaluation tools both within public sector organization and used as feedback tools, and also for external evaluations of various public sector innovations.

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Appendix 1. List of Interviews

1. Hugo Hollanders, Senior Researcher at Maastricht University, Member of the EC's 2010 High-Level Panel on the Measurement of Innovation, EPSIS project team, 7 July 2014 (skype).
2. Carter Bloch, Aarhus University, Department of Political Science and Government, Danish Centre for Studies in Research and Research Policy, Associate Professor, MEPIN leader and coordinator, 8 July 2014 (skype).
3. Anthony Arundel, Professor of Innovation at the AIRC, University of Tasmania and Professional Fellow at UNU-MERIT, APSII team, 10 July 2014 (skype).
4. Dorothea Huber, Graduate Research Candidate at the AIRC, University of Tasmania, APSII team, 10 July 2014 (skype).
5. Thorsteinn Gunnarsson, RANNIS, Icelandic Centre for Research, Head of Division of Evaluation and Analysis, representative from Iceland within MEPIN, 11 July 2014 (skype).
6. Viola Peter, Senior Consultant at Technopolis Group Brussels Office, EPSIS team, 23 July 2014 (skype).

7. Ari Leppälähti, Statistics Finland, Business Statistics, Senior Adviser, representative from Finland within MEPIN, 27 July 2014 (e-mail).
8. Nick Yazidjoglou, Government Administration, Department of Innovation, Industry, Science and Research, APSII coordinator, 28 July 2014 (skype).
9. Stian Westlake, Nesta, Executive Director of Policy and Research, Nesta, Innovation in public sector organizations project, 5 August 2014 (telephone).
10. Markus Bugge, NIFU – Nordic Institute for Studies in Innovation, Research and Education, senior researcher, coordinator of MEPIN in Norway, 8 August 2014 (skype).
11. Tomasz Jerzyniak, Policy Officer, European Commission, DG Enterprise and Industry, EPSIS coordinator, 20 August 2014 (telephone).
12. Per Melchior Koch, Innovation Norway, Special Advisor, member of the reference group for the MEPIN project for Norway, 22 August 2014, (telephone).
13. Svein Olav Nas, Research Council Norway (currently), at the time of MEPIN with NIFU-STEP, 22 August 2014 (skype).

Appendix 2. Interview structure and questions

A. Institutional and Organizational background

1. How widespread are attempts in your country to
 - start PSI oriented reforms/activities?
 - measure (or evaluate) such reforms/activities?
2. Why was your organization involved in PSI indicators/project? Does your organization have previous background in such activities?
3. How many people from your organization were involved?
4. Did your organization coordinate activities with other organizations?
 - If yes, why?
5. Who funded the effort (if you can reveal it)?
 - Is it an on-going effort or a one-off project?
6. Who are the clients for your indicators, in which policy cycle phase do you think they should use it?

B. Theoretical and conceptual background

1. Before devising specific indicators, how extensive were the theoretical and conceptual discussions you had?
 - How long did discussions last?
 - Were they about what can be measured in the public sector?

- Were they about what is PSI?
 - Were they about learning from other similar attempts?
 - What were your main lessons from such discussions?
2. Before devising specific indicators, how extensive were the discussions about quantitative vs qualitative indicators?
 3. How would you characterize the main theoretical assumptions behind your PSI indicators project?
 - How important are the ideas of efficiency, productivity?
 - Do you differentiate between different types of innovations?
 - How important are ideas and practices from performance management/measurement?
 - How important are ideas and practices from quality management/measurement?
 - How important are the ideas of legitimacy, trust, etc?

C. Actual attempts at measurements

1. How does your indicator or set of indicators work?
 - What are the main sources of data?
 - How do you deal with the problem of comparability?
 - Does our organization do it for other organizations?
 - Do organizations do it themselves?
 - Is there a statistical organization filling in data?
2. How many times has your indicator been used/tested?
 - What type of organizations have been using it (if applicable)?

D Evaluation and future plans

1. How would you evaluate your PSI indicators?
 - Has there been a formal evaluation of some type?
 - Have other organizations been involved in evaluating the indicators?
 - Do they “work” in your opinion, deliver what you hoped they would?
 - If yes, in what sense?
 - If no, why not?
2. Do you plan to use the indicators in the future?
 - Will the indicators be modified?
 - Will you attempt to develop new indicators?

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Authoritarian Neoliberalism: Its Ideological Antecedents and Policy Manifestations from Carl Schmitt's Political Economy of Governance

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ABSTRACT

The regime of authoritarian neoliberalism is underway. In contemporary political economy of governance, this regime has been construed as a crisis response of the capitalist class to manage the conflict-ridden consequences of economic globalization; and, as an ideological project of a section of the ruling elites to justify the embedding of market-oriented development processes in a politically repressive government institution. To contribute to recent scholarship attempts at defining the character and tendencies of this emergent regime, the article traces one of its key ideological antecedents from Carl Schmitt's earlier formulation for a "strong state, free economy". It then presents a survey of how this concept articulating the compatibility of authoritarianism and capitalism has manifested in related theories and actual policies since the long twentieth century – notably in: German ordoliberalism, Thatcherism and Reaganomics, the Kirkpatrick Doctrine and Political Development Theory, the Asian Values discourse, and the Effective State and Good Governance agendas. The governing authority in this regime can be called an authoritarian-neoliberal state.

Keywords: authoritarian neoliberalism; authoritarian-neoliberal state; Carl Schmitt; Good Governance; ordoliberalism

1. Introduction

A particular political-economic regime is taking shape across the world. Emergent during the past two decades, this regime may be referred to as "authoritarian neoliberalism", or a neoliberal market economy embedded in an authoritarian state institution. Its logic reveals the attempts to make and legitimize the economic processes and relations of the capitalist production system through or within undemocratic political practices. The evolution of this phenomenon has important implications for theories and practices in the interdisciplinary fields of political economy, development studies, and public administration.

Recent political economy analyses present authoritarian neoliberalism under two main themes: as “a crisis response” and as “an ideological project”. The first theme is the understanding of authoritarian neoliberalism as a violent reaction of the capitalist and pro-capitalist political class forces to a series of crises of global capitalism, which had initially imploded in the world’s industrialized centers (Bruff 2014; Tansel 2017). This perspective has been conceived against the background of three significant moments in the history of contemporary globalization: the 1997 financial crisis in Asia, the 9/11 attacks in the US, and the 2008 economic recession in the North Atlantic. Crisis after crisis, states and multilateral institutions have deployed more intensified repressive measures to manage the often conflictive consequences of wealth creation and accumulation on social relations, ranging from fiscal discipline through austerity in governmental functions to coercive police activities against peaceful mass mobilizations. The other theme is the conceptualization of authoritarian neoliberalism as an ideological project of a section of the political-business elites to justify the conduciveness of authoritarianism to economic development. The comparative success of Asia’s developmental states since the 1960s and the re-emergence of China as an economic superpower at the turn of the 21st century have provided stronger empirical bases for an intellectual strain that argues for the functionality, necessity, or operability of authoritarian institutions for the capitalist accumulation process, as well as for catching-up strategies of developing economies. Added to this story of the “rise of China” in the world capitalist system are the oft-cited cases of the similarly-perceived “authoritarian” states in Asia’s growth areas – specifically, the achievement of Singapore as a First World city-state, the relative advance in Malaysia’s industrialization process, and the promising trajectory of the emerging markets in the Association of Southeast Asian Nations, especially Vietnam and Myanmar. The narrative of economic “miracle” in these countries does not only signify the active role played by their governments in the planning, management and regulation of their respective economies; but, more intriguingly, this also raises important questions about processes, relations, or tendencies of development in the context where a capitalist market economy operates within a largely authoritarian political regime.

Since the paradigmatic transition from the Cold War to neoliberal globalization in the early 1990s, a couple of themes have influentially defined the academic discourse and policy advice on the global political economy of development, namely “democratization” and “aid effectiveness”. The first set of literature from development studies revolves around the theme linking the objective of social development with the normative of political democratization through, at a minimum, the establishment of the rule of law, respect for human rights, and government transparency and accountability in aid recipient countries (Moore and Robinson 1994; Santiso 2001). Within this stream, scholars have also debated on the questions of morality and strategies with regard to international democracy promotion as a condition, means and ends of aid assistance (Burnell 2000; Carothers 1997). The target recipients of this democratization objective through development aid are what donor countries consider non-democratic, pre-democratic, or authoritarian regimes in the Third World. The second set of literature is the enduring debate – arguably, the dominant discourse – among policymakers and academics on the effectiveness of aid from developed

countries to attain the goals of economic, social and human development in poor countries. Yet poverty, inequality, privation, diseases, disasters, repression and exploitation remain at an alarming level. The persistence of these problems in most parts of the developing world is well documented and acknowledged by different scholars in the ideological spectrum. Hence, there is general recognition of the perceived shortcomings, if not failure and ineffectiveness, of decades-long foreign aid initiatives, even at the conclusion of the much-publicized 15-year program under the Millennium Development Goals (cf. Collier 2007; Easterly 2006; Reinert 2007; Sachs 2005). In mainstream policy circles during the post-Cold War period, neoliberalism is the hegemonic ideology for the modernization of Third World societies and economies; it is what underpins aid as a financial tool and democracy as a political goal of development. Here, neoliberalism is understood essentially as an ideology of capitalism, which puts primacy on the ethos and interests of the private individual, the private sector, and private property over the well-being of the collective citizenry, the public sphere, and the common good. Policy-wise, neoliberalism utilizes market-based solutions to development problems.

For a long time in the area of public administration, the quality and characteristics of state governance has been determined, and its values judged, on the basis of some conventionally assumed democratic standards. More importantly, the “efficient” and “good” governance institution is normatively associated with the political ideal of democracy and the economic ideology of free enterprise capitalism. Interestingly, Francis Fukuyama (2013), the recognized doyen of the hyper-globalist view on the triumph of liberal democracy, has recently shifted his stance about *good governance*, which he categorically defined “as a government’s ability to make and enforce rules, and to deliver services, regardless of whether the government is democratic or not” (350). In this definition, Fukuyama is implying the correlation that there can be good governance even in non-democratic regimes. Contemporary public administration has rediscovered the function of government in different country contexts across “Western” and “non-Western” societies, whereby the focus of study is not only on goals and efficiency but also on execution and effectiveness, and not only on “good governance” but also on “good enough governance” (Drechsler 2015; Grindle 2004, 2007).

While the field of public administration has productively examined the relationship between governance and regime types, this article is concerned with the area of *the political economy of governance*. The aim here is to factor in *the economic* system at work in relation with a particular style of governance and a specific type of political regime. Amid the much-discussed waves of democratization and the conditional utilization of development aid to promote democratic values, the *realpolitik* of governance in the twenty-first century intersects with the persistence of both authoritarian power structures and different modalities of unequal capitalist accumulation processes across the global North and South. In light of these, the main objective of this article is to contribute to the conceptualization of the emergent regime of authoritarian neoliberalism by tracing out its key ideological antecedents and by highlighting how the same ideas have been articulated in related theories and actual governance policies over time. It does so in three interrelated sections. Firstly, the article examines the political theory of the German conservative Carl Schmitt as the basis

for the conceptual formulation of a “free economy in a strong state”. Secondly, the article discusses specific ideas from relevant concepts and influential policies which have manifested the rationale of a compatible coexistence of capitalism and authoritarianism, notably: [a] the “ordoliberal” thought that framed the European, particularly German, model for a social market economy since the Second World War; [b] the legacies of “Thatcherism” and “Reaganomics” that set out neoliberalist policies and thinking in the UK and the US in the 1980s; [c] the “Kirkpatrick Doctrine” and “political development theory” during the Cold War and the Vietnam War; [d] the “Asian Values” discourse of strongmen in the 1990s; and [e] the series of policy prescriptions of international organizations for “Good Governance”, institutional reforms and human behavioral change from the mid-1990s on. Finally, the article sketches out some compelling features of an “authoritarian-neoliberal state” and also concludes with a number of propositions on the most remarkable characteristics of the regime of authoritarian neoliberalism.

2. The Political Economy of Carl Schmitt’s Authoritarian Liberalism

In the late 1990s, the political thought of Carl Schmitt had taken some spotlight in discussions about modern constitutions and the role of the state in the epoch of neoliberal, capitalist, market-driven globalization. Schmitt’s philosophy then was interpreted either as a Nietzschean cultural critique which glorifies will to power as autonomous values and condemns technology as a perpetuator of meaninglessness in the world, or as a fascist conservative constitutional theory critical of the threat of liberal triumphalism on the traditional order (Ahmad 1997; Dyzenhaus 1998; McCormick 1997). These reviews were mainly aimed at unpacking the core sensibility of Schmitt’s political philosophy through an investigation of the logic of his works and a recollection of his personal and political life. To contribute to these interpretations and criticisms, a reading is offered here not only of Schmitt’s political thought but also his broader idea on the “political economy of governance”.

Numerous literatures have been written to interpret Schmitt’s social, economic, and political thought since the mid-twentieth century. Heavily criticized because of his association with the rise of Nazism, Schmitt’s ideas have endured at the center of discussion in theories of politics, state, democracy, constitution, governance, and political economy. A survey of literature on the works of Schmitt showcases varying interpretations coming from the whole range of the political spectrum (Kalyvas 1999). There is some sense of conundrum in the interpretation of Schmitt’s conceptualization of politics, democracy, or liberalism (cf. Schmitt 1926). Oftentimes, his use of a concept meant what he chose it to mean and that it can mean different things. The doublespeak in his writings may make it harder to reveal his essentially anti-democratic and anti-political thought. However, the reality of Schmitt’s adherence to Nazism is by now a recognized historical fact (cf. Hayek 1944). This is not to totally refute the entirety of Schmitt’s political philosophy on grounds of his being a Nazi apologist or of the polemics of his past. This is to simply articulate a disagreement on the terms in which Schmitt’s ideas were made. Schmitt might have used the concepts “democracy” and “constitutionalism” in a variety of ways. But this begs the question: democracy and constitutionalism *for whom?*

Schmitt is often cited for his criticisms against the philosophy and politics of liberalism, particularly his analysis of the crisis of European civilization resulting from growing secularization and the intensification of science and technology (e.g. McCormick 1997). In contrast to this conventional understanding, it is argued in this section that a broader project and a deeper logic underpins Schmitt's critique of liberalism. It is the political project to creatively destruct liberal institutions so as to establish an order that is more likely to secure the hegemony of authoritarianism and free market capitalism. As such, the target of Schmitt's critique was not liberalism *qua* liberalism, but *democracy* at large, understood as "popular power" over every level of the society. The following discussion reveals this *anti-political* character of Schmitt's thought in the terms set out in his "concept of the political".

A couple of agendas are set out in this section. Firstly, a case is presented that Schmitt's political conceptualization is a prescriptive ideology for a strong state intolerant of popular democratic politics and hence dominating all the spheres of society and human life itself. Secondly, the organic link is highlighted between the political and the economic in Schmittian thought so as to paint a picture of the ideas behind the social regime of "authoritarian liberalism", in which a capitalist liberal economy works within an authoritarian political framework.

2.1 The Anti-Politics of the "The Concept of the Political"

"The concept of the political" is central to Schmitt's philosophy on governance, state and government. As a prominent intellectual actively engaged in the politics of his time, Schmitt's efforts at formulating rather abstract concepts were not simply passive academic endeavors. His theories were not created only to be enclosed within the ideational halls of the academia. For Schmitt, the concept is political. Conceptualization is a conscious political project. Thus, "the political" is a proactive process, not merely a form, towards a pre-determined goal. Based on this premise, Schmitt's idea of the state can be examined.

"The concept of the state presupposes the concept of the political," wrote Schmitt (1932a, 19) as the first line in *Der Begriff des Politischen*. The political is seen in relational terms; its essence suggests the intensity of the relationship between "friends" and "enemies" – in particular, the oppositional character between these two conflicting groups.¹ This realm of the political subsumes all the other social spheres:

Every religious, moral, economic, ethical, or other antithesis transforms into a political one if it is sufficiently strong to group human beings effectively according to friend and enemy. The political does not reside in the battle itself, which possesses its own technical, psychological, and military laws,

¹ Some scholars like Giovanni Sartori (1989) understood Schmitt's approach to concepts as simply based on "pairs of constitutive oppositions", or in the postmodern parlance "binary oppositions". Following this line of thought, the fields of ethics, aesthetics, economics, and politics are thus framed as binary oppositions depicting good/bad, beautiful/ugly, useful/damaging, and friend/enemy, respectively. However, this typological approach does not go far enough to understand the complexities and intricacies not only of the intellect but also of the very politics of an intellectual of Schmitt's stature. Hence, it is suggested here to have a reading of Schmitt's concept to be something profound with a purposive political project.

but in the mode of behavior which is determined by this possibility, by clearly evaluating the concrete situation and thereby being able to distinguish correctly the real friend and the real enemy (Schmitt 1932a, 37).

Yet, the political is situated within the larger society; and as such the former may influence and/or may be influenced by the latter:

The political can derive its energy from the most varied human endeavors, from the religious, economic, moral and other antitheses. It does not describe its own substance, but only the intensity of an association or dissociation of human beings whose motives can be religious, national (in the ethnic or cultural sense), economic, or of another kind and can effect at different times different coalitions and separations (Schmitt 1932a, 37).

But in the final analysis, the shaping of relations in the society all boils down to the political – specifically, to the question of the political will “the state” is able to wield among its people:

The real friend-enemy grouping is existentially so strong and decisive that the nonpolitical antithesis, at precisely the moment at which it becomes political, pushes aside and subordinates its hitherto purely religious, purely economic, purely cultural criteria and motives to the conditions and conclusions of the political situation at hand. In any event, that grouping is always political which orients itself toward this most extreme possibility. This grouping is therefore always the decisive human grouping, the political entity. If such an entity exists at all, it is always the decisive entity, and it is sovereign in the sense that the decision about the critical situation, even if it is the exception, must always necessarily reside there (Schmitt 1932a, 38).

Therefore, politics is not merely a reflexive form, but a conscious process through which friends and enemies are identified. Any human grouping – from religious community to economic class – becomes a “political entity” if that group can draw the line between friends and enemies. Of all human groupings and political entities, Schmitt regards the state as *the* “decisive human grouping”, *the* political entity that possesses the capacity to command obedience from its citizens (i.e. friends) and to pacify or suppress its adversaries (i.e. enemies). More importantly, it is the state which possesses the “sovereignty” in political processes, including the authority to make critical and exceptional decisions for the government and society.

Schmitt was a critic of the Weimar Republic’s proclaimed ideal to safeguard liberal freedoms during times of moral and societal uncertainties. He was a leading theorist of the idea of state sovereignty under exceptional conditions and thus provided a strong link between sovereignty and the power to decide upon exceptions.²

² In fact, some readers of Schmitt categorically conclude that it was his illiberal predisposition to, and his obsession about, the “exception” that made him embrace Nazism. For example, Sartori (1989, 71) argues that “Schmitt joined nazism because his anti-liberalism made it easy, and because the exception bewitched him” (see also Bendersky 1987; Hayek 1944).

In the words of Schmitt (1934), “It is precisely the exception that makes relevant the subject of sovereignty, that is, the whole question of sovereignty” (ibid., 7). He was straightforward in identifying who has the sovereignty in political relations: “Sovereign is he who decides on the exception” (ibid., 5). Accordingly, he defined that “[t]he exception ... is not codified in the existing legal order” but it “can ... best be characterized as a case of extreme peril, a danger to the existence of the state, or the like.” By claiming that the scope of exception “cannot be circumscribed factually and made to conform to a preformed law” (ibid., 6), Schmitt differed from liberalism’s normative laws with preset rules to guard against arbitrary government and limit the power of the state. In fact, Schmitt criticized the “jurisdictional” incompetence of the liberal constitution to address and eliminate “extreme emergency”, whose “precise details ... cannot be anticipated, nor can one spell out what may take place in such a case” (ibid., 6-7). His idea of exception is not absolutely constrained by “rule of law” as enshrined in the liberal constitutional order, rather it is suggestive of the capacity of the sovereign to decide based on political will. As such, sovereignty is a precondition for the management of the regime of exception.

The Schmittian thought on state sovereignty is in the first instance oriented towards the most extreme possibility, and that has in the end the decisive power to determine the exception. This basically reproduces the “absolutist” ideas of pre-Lockean, pre-modern political theory associated with Machiavelli, Bodin, and Hobbes in the defense of the indivisibility and unity of state power. The central absolutist argument against liberalism rests on the latter’s imposition of limits on the state’s executive prerogative. Absolutism posits that a liberal constitutional order is unfit to maintain national unity, manage social conflicts, and secure state survival because of the constraints imposed on the sovereign’s decision-making power in critical situations. Such legal and political limitations are claimed to result in the weakening of the state’s power to govern effectively and assert its primacy during moments of crisis.

Schmitt’s political philosophy gives intellectual justification for the state’s exercise of exceptional executive power in the name of public order and unity, allowing for the suspension of civil and political rights even if these rights are protected in the constitution, and activating the use of coercive police and military forces during critical situations. This Schmittian regime of exception provides far-reaching powers to the state not only by suspending normal political and legal processes, but also by enabling the reorganization and centralization of its apparatuses for coercion. At the same time, by guaranteeing its unconstrained power of discretion, there is a tendency for the state to make declarations of national emergency the norm, rather than exceptional and time-bound.

The political rationale of Schmitt extends to his hostility to pluralism, which is a cornerstone of liberalism. His antagonistic attitude towards political pluralism is not only based on its perceived threat to social unity and order, but on a particular notion of citizenship defined by the friend-enemy distinction. Citizens are viewed as “friends”, with shared fundamental values and goals toward a common state. The state is seen as the political unity of the people; it is the entity upon which the association or dissociation with the political community is founded. Thus, the only legitimate, let alone constitutional, political project of the state is to create homoge-

neity by shaping the will of the people through “antiliberal but not necessarily anti-democratic” methods (Schmitt 1926, 16). Here then lies Schmitt’s *critique of liberalism’s state theory* under conditions of the “social contract” and also his *doublespeak* on “democracy”, where:

The people exist only in the sphere of publicity. The unanimous opinion of one hundred million private persons is neither the will of the people nor public opinion. The will of the people can be expressed just as well and perhaps better through acclamation, through something taken for granted, an obvious and unchallenged presence, than through the statistical apparatus that has been constructed with such meticulousness ... The stronger the power of democratic feeling, the more certain is the awareness that democracy is something other than a registration system for secret ballots. Compared to a democracy that is direct, not only in the technical sense but also in a vital sense, parliament appears an artificial machinery, produced by liberal reasoning, while dictatorial and Caesaristic methods not only can produce the acclamation of the people but can also be a direct expression of democratic substance and power (ibid., 16-17).

In sum, Schmitt’s concept of the political is an anti-political stance on politics. It is “a politics of anti politics”, in which political pluralism is easily dismissed as disruptive to the state’s presumed political unity (Jayasuriya 2001, 8). Firstly, Schmitt’s concept of politics recognizes no legitimate opposition, and thereby insulating key political institutions from criticisms. Any dissent and opposition is treated as disloyalty to the state and, at worst, enemies of the state. Secondly, Schmitt redefines the notion of citizenship between the individual and the state in terms of duties and responsibilities, rather than rights. Lastly, Schmitt rationalizes politics as the exclusive practice and monopoly of the state. This includes the important process of collective will-formation in constitution-making. While Schmitt addressed this vexing issue and asserted that “everything depends on how the will of the people is formed”, his proposal for collective-will formation was telling of his stance in favor of a monopolizing state that shapes the will of the people – rather than the former being the embodiment of the latter. He laid out the determining question: “who has control over the means with which the will of the people is to be constructed?” Then he proceeded to enumerate: “military and political force, propaganda, control of public opinion, through the press, party organizations, assemblies, popular education, and schools” – in short, the apparatuses and institutions identified with, and especially within the coercive arm of, the state (Schmitt 1926, 27-29; cf. Kalyvas 1999). Hence, Schmitt’s concept of the political is profoundly a manifesto for anti-democracy and an ideology of anti-politics.

2.2 Strong State, Free Economy

A strict “political” reading of Schmitt does not suffice to substantially grapple with the anti-political and anti-democratic framework he advances. An essential link, often broken in most discussions about Schmittian philosophy, is between the

political and the economic. In this inseparable link lies yet another contradiction: Schmitt's illiberal politics is matched by his liberal economics, forming a curious blend in defense of capitalism, a social system of private appropriation that avoids the cost, duty, or obligation to carry any public responsibility.

A core problematique in Schmittian political economy goes this way: "How can one ... render the distinction between state and economy effective?" (Schmitt 1932b in Cristi 1998, 226). Here the emphasis is on "distinction", and "not separation", between the two spheres. This is because "the point of departure" of a "primarily political" process requires "a clean and clear distinction between state and state-free spheres" (ibid., 221). Schmitt argues not only for the need for a Weberian ideal-type of an apolitical bureaucracy, but the fundamental imperative for "a *very strong state*" that can do "a painful surgical intervention" and not merely "an 'organic' process in the sense of slow growth" (ibid., 221-222). He then elaborates on the characteristic of the state required in the political economy of development:

Increasingly one thing is evident: only a strong state can depoliticize, only a strong state can effectively decree that certain activities, like public transit and radio, remain its privilege and as such ought to be administered by it, that other activities belong to the ... sphere of self-management, and that all the rest be given to the domain of a free economy. A state that is to bring about this new order ought to be, as was said, extraordinarily strong. Depoliticization is a political act in a particularly intense way (ibid., 226-227).

Recognizing the fragmented nature of the state, Schmitt proposes an alternative to the customary twofold categorization between the state and the individual. This alternative draws a "tripartition" between the state, the private sphere, and the economy. Within this framework, the sphere of economic activity is non-state, yet public:

First, the *economic sphere of the state*, the sphere of genuine state privilege. Certain activities of an economic nature belong to the state – certain commercial entitlements are, for instance, absolutely necessary, and in certain forms, like the postal entitlement, have always existed. These are legitimate state enterprises, which ought to be clearly featured as monopolies and distinguished from the rest of the economy. Second, in opposition to that domain, the sphere of the free, individual entrepreneur, i.e. the *sphere of pure privacy*. Third, the intermediate *non-state, but still public* sphere. For decades we have endured an unfortunate conceptual confusion that understood anything public as a state concern (ibid., 224-225).

Schmitt then advanced "an autonomous economic administration" that is:

an economic sphere that belongs to the public interest and should not be seen as separate from it. Still, this is a non-state domain that can be organized and administered by these same business agents, as it happens in any genuine autonomous administration (ibid., 225-226).

Schmitt stressed that the perspective on this particular configuration of economic self-management was “completely different from the ‘economic democracy’ propagated ... by a certain side”, which “explicitly espoused a *mixture of economics and politics*” and which “also wanted to acquire economic power within the state by means of political power, and subsequently increase its political power by means of economic power it had thus acquired” (ibid., 225).

The proposal of Schmitt for the establishment of an economic administration is an attempt for an “economic constitutionalism” that treats the market as a constitutional order with rules, institutions and procedures and with the principal purpose of insulating a range of economic institutions and activities from democratic politics (Jayasuriya 2001; cf. Hayek 1944). But, at the same time, all extra-economic institutions are to be mobilized to sustain this constitutionalized system of private appropriation immune from any democratic accountability. This was Schmitt’s anti-political project in response to the imminent threat of mass democracy during his time when the economy was getting politicized and hence the state was weakening due to the increasing capture of it by private interest groups. As Kanishka Jayasuriya (2001, 9-10) has accurately interpreted the constitutional theory behind Schmitt’s political-economic thought, “the main purpose of economic constitutionalism was to protect the economy from these political pressures, and as such, it is anti-political jurisprudence ... which attempts to ground law not in a political process but in terms of the values of the institutional order which are of course perceived as ‘natural’ and consequently disembedded from the play of politics and power.”

Ernst Fraenkel (1941), a jurist with a social-democratic bent, describes the emergence of what he calls the “dual state” (i.e. the coexistence of a “prerogative state” and a “normative state”) during the period of Nazi Germany in the 1930s. This dual state is founded on the Schmittian notion of the state’s exceptional and extraordinary prerogative powers, which is functional to the arena of private economic laws that is regulated by “normal” law. The prerogative state refers to the system of government which exercises tremendous exceptions unchecked by any legal constraints. The normative state refers to the administrative body with elaborate powers that is tasked to safeguard legal order through statutes, court decisions and other administrative orders. Fraenkel notes that the interdependence of these state forms is both logical and necessary. More importantly, this dual state succeeded in combining the exceptional scope of arbitrary state power with capitalist organization; in particular, the capitalist economy’s demand for rational calculation is guaranteed within the framework of a strong authoritarian state (Jayasuriya 2000).

Fraenkel’s idea of the normative state simultaneously coexisting with the prerogative state is by no means incompatible with Schmitt’s notion of *norms*. Conventional reading suggests Schmitt’s hostility to the “rule of law” to be on grounds of his general critique on liberalism and his thought on exceptions. But Schmitt’s institutional jurisprudence suggests that norms are only as desirable so long as they preserve the political unity of the state, as David Dyzenhaus (1997) points out, and to which Andreas Kalyvas (1999) concurs:

while the vitality of the exception looms large as the theme of *Political Theology*, it is important to keep in mind that Schmitt was not arguing for the total negation of normality. Indeed, in other works of this period, he seemed to argue for the desirability of legally established normality. For he did not reject the idea of a society comprehensively governed by legal norms, on condition that the political decision that underpins that legal order is made explicit (Dyzenhaus 1997, 46 in Kalyvas 1999, 101).

For Schmitt then, rule of law – in the sense of *Rechtsstaat* in the German tradition in the context of an authoritarian system – is a *normative* juridical-constitutional-legal order; and as such, must guarantee the preconditions for exception and the conditions of the possibility of exception.³ Norms must be embodied in the rule of law, based on political will and derived from political decision. In this sense, Schmitt was not entirely critical of legality or constitutionalism in particular and of liberalism in general. He regarded the constitution not simply as a formal text of neutral procedures, but as a positive document that embodies the norms, the “way of being”, in a political community (Dyzenhaus 1997). His fundamental issue against legality rested on its capacity to protect the political order amidst the threat of a social breakdown. This reading suggests that Schmitt was actually concerned with a seeming creative destruction of liberal institutions that are more likely, and even better, to secure political order and indeed capitalism. When especially applied to the economic order, this implies the existence of institutions such as Schmitt’s “economic administration” with a high degree of autonomy to protect the economy from politicization. This institution could no less be authoritarian. As such, the project of economic constitutionalism within the framework of authoritarianism can only be realized through the construction of a dual state that embodies and practices “illiberal politics, liberal economics”.

Importantly, Schmitt (1932a) highlighted the political nature of “class struggle” in Marxism. He emphasized that “a class in the Marxian sense ceases to be something purely economic and becomes a political factor when it reaches [a] decisive point, for example, when Marxists approach the class struggle seriously and treat the class adversary as a real enemy and fights him either in the form of a war of state against state or in a civil war within a state” (Schmitt 1932a, 37). Thus, a labor union, or “an association of individuals based on economic interests”, is also a political entity (ibid.). “The real battle” between adversarial classes “is ... no longer fought according to economic laws but has ... its political necessities and orientations, coalitions and compromises” (ibid.). Schmitt treated Marxian class struggle as a fundamentally political program, rather than simply a conflict over the economic question:

³ Harold Berman (1991) provides an interesting discussion on the concept of “rule of law” based on historical and temporal-spatial contexts. He distinguishes the differences between English conceptions of the rule of law and the German positivist notions of law. He argues that the concept of *Rechtsstaat* in the German tradition may be regarded as “*Gesetzesstaat*, that is, a state that rules by laws” (3). The notion of a *Rechtsstaat* is different from the “rule of law” in the English tradition, which enshrines the ideas of parliamentary sovereignty. *Rechtsstaat* was born out in the context of an authoritarian and non-participatory political system.

Should the proletariat succeed in seizing political power within a state, a proletarian state will thus have been created. This state is by no means less of a political power than a national state, a theocratic mercantile, or soldier state, a civil service state, or some other type of political entity. Were it possible to group all mankind in the proletarian and bourgeois antithesis, as friend and enemy in proletarian and capitalist states, and if, in the process, all other friend-and-enemy groupings were to disappear, the total reality of the political would then be revealed, insofar as concepts, which at first glance had appeared to be purely economic, turn into political ones (ibid., 37-38).

Furthermore, it must be noted that Schmitt deemed it important that the *zeitgeist* must be in place before undertaking the process of constitution-making (see Caldwell 1997). What was then the supposed founding moment upon which the ideas of Schmitt were being proposed? It was the historic conjuncture when radical democratization was intensifying and the traditional political structures and institutions of a relatively neutral, liberal minimalist state were getting dysfunctional to capitalist hegemony and elite rule. It was when mass democracy was encroaching on independent boundaries traditionally reserved for political and economic elites – depicted in the politicization of the economy, formation of organized labor movement, emergence of mass parties with *deviant* values, instrumentalization of the parliament and its reduction to party-politics interests, pluralism, fusion of state and society, recognition of universal suffrage, rise of radical left parties, and so forth (Cristi 1998). These were thus signs of the times that a new popular democratic order was foreboding and that classical liberalism was failing. As Schmitt (1926) noted, this period of the “crisis of the parliamentary system and of parliamentary institutions in fact springs from the circumstances of modern mass democracy”, which “attempts to realize an identity of governed and governing” and “confronts parliament as an inconceivable and outmoded institution” (15). In light of this, Schmitt warned that: “If democratic identity is taken seriously, then in an emergency, no other constitutional institution can withstand the sole criterion of the people’s will, however it is expressed” (ibid.).

Schmitt was uneasy with the continuous progress of democracy threatening bourgeois hegemony and rights to property. He noted the fundamental contradiction between state sovereignty and popular democracy in his assertion that: “The crisis of the modern state arises from the fact that no state can realize a mass democracy, a democracy of mankind, not even a democratic state” (Schmitt 1926, 16). Against this background, Schmitt proposed a creative destruction of liberalism, rather than its complete destruction. Schmitt’s enemy was not liberalism, but the specific politics of mass, popular, or radical democracy. Renato Cristi (1998) refers to this Schmittian brand of liberalism as “authoritarian liberalism”, a rapprochement of authoritarianism with liberalism, as well as the marriage between authoritarianism and conservatism. Schmitt (1932b) also provided an intellectual framework for a “strong state” and “sound economy”. For Schmitt, the crisis of the Weimar Republic signaled a *zeitgeist* for the *creative destruction* of liberalism so as to completely overwhelm the *destructive destruction* that popular democracy was bringing to both the elitist and capitalist order.

3. Ideological Antecedents and Policy Manifestations of Authoritarian Neoliberalism

The essential features of the Schmittian ideology of governance for a strong state and free economy have been re-articulated in a number of related concepts in political economy and actual development policies at particular historical junctures since the twentieth century. Notably, these are:

1. the German ordoliberalism as a foundation of the European model for a social market economy in the postwar era;
2. Thatcherism in the UK and Reaganomics in the US as neoliberalism's first political and ideological offensive in the 1980s;
3. the "Kirkpatrick Doctrine" as US foreign policy during the Cold War and Vietnam War;
4. the "Asian Values" as the governance and development discourse of strongmen who governed the states of some of Asia's successful industrializing economies in the 1990s; and
5. the international organizations' evolving programs as development policies for capitalist modernization at a global scale – from the World Bank's Good Governance agenda and preference for an "effective state" to recent policy prescriptions of the United Nations Development Programme (UNDP) to condition human minds and behaviors around the values of free market competition.

All these conceptualizations attempted to justify the workability, compatibility, or interoperability between capitalism and authoritarianism in the state governance of social and economic development processes. Significant characteristics from each of these theories, concepts and policies constitute the defining logic, mechanisms, institutions and principles of the emerging regime of authoritarian neoliberalism in the twenty-first century.

3.1 German Ordoliberalism

Schmitt's general ideas on the necessity of state-regulated social order to oversee a competitive economy have close affinities to his contemporaries from a group of leading ordoliberal thinkers from Germany, namely Alexander Rüstow (1885-1963), Walter Eucken (1891-1950), Franz Böhm (1895-1963), Wilhelm Röpke (1899-1966), and Alfred Müller-Armack (1901-1978). Scholarships on ordoliberalism antedate the rise to power of Hitler and have become more prominent in the field of political economy after the war. The ordoliberals of the 1930s and 1940s were considered the early proponents of "neo-liberalism", which was understood as an alternative approach to the liberalism of laissez-faire economics (Jackson 2010). In his bibliographical article on "The Political Thought of Neo-Liberalism," Carl Friedrich (1955, 509) noted that "the notion of *ordo* is central in the neo-liberals' approach."

Ordoliberalism's "key slogan is the 'social market economy' (*soziale Marktwirtschaft*), an economy which is definitely 'free', as compared with a directed and planned economy, but which is subjected to controls, preferably in strictly legal form, designed to prevent the concentration of economic power, whether through cartels, trusts, or giant enterprise" (Friedrich 1955). Rüstow (1932) was credited for the "creed" in political economy of the early neo-liberals for a "Free Economy – Strong State" (Friedrich 1955, 512). Even though the state is regarded "as a central source of authority", a state interfering "in all kinds of activities" in the economy and private sphere is "a sign of lamentable weakness" (Rüstow 1932 in Friedrich 1955, 512). A strong and neutral state is needed to maintain the "primacy of the political", one that "can assert its authority vis-à-vis the interest groups that press upon the government and clamor for recognition of their particular needs and wants" (Friedrich 1955, 512).

Ordoliberalism is a critique of the political theory and practice of direct democracy in the Weimar Republic, the totalitarian ideologies from Fascism to Communism, the excessive liberalism in laissez-faire economics, and the postwar's labor-oriented welfare state model. Ordoliberals saw the Weimar Republic as a weak state as it became susceptible to democratic overload; and it failed in the management of both the society and the economy because it was captured by the interests of laborers and politically-connected business groups that rendered it incapable of guaranteeing the conditions for the system of liberty and complete competition in the free economy. The ordoliberal movement presented themselves as the "third way" beyond Communism and Fascism, or a group espousing a kind of "liberal conservatism" (Friedrich 1955). In contrast with libertarian economists, the ordoliberals did not believe in the ideology for a minimal state and the assumption of a self-regulating economy; rather they recognized the necessity for an authoritative strong state in capitalist relations to provide order in the society for a liberal economy to prosper. At the same time, the ordoliberals criticized the idea of the welfare state – either its radical socialist vision or its moderate social-democratic model (cf. Jackson 2010). They argued that the societal function of the state is not to guarantee the collective material security of its population, but to nurture and police citizens to be self-reliant individuals and responsible economic agents in the system of private property relations and the conduct of entrepreneurial activities. Interestingly, these key concepts and propositions of ordoliberal thinking are reflected in the evolving neoliberal structure and agenda for marketization of the European Union through active policy coordination among its member states (Bonefeld 2017) and in contemporary policy prescriptions and approaches to development programming of international organizations such as the World Bank, the Organisation for Economic Co-Operation and Development (OECD), and UNDP for state restructuring, institutional reforms, and human behavioral changes to realize entrepreneurial culture and the goal of global competitiveness (Cammack 2015, 2017).

While the EU is not a fully-fledged ordoliberal regional institution, elements of ordoliberalism form part of the ideals in its formation since the postwar, particularly the monetary union under the Maastricht Treaty of 1992 and the current agenda for a social market economy under the Lisbon Treaty of 2007. Thus, it would be better to understand the historical political economy of the EU regionalization process not

only as a geopolitical product of a peace pact between the leaders of big states of Germany and France, but also as a political-economic consensus among the region's state leaders and pro-capital social forces to secure the hegemony of capitalist relations across the continent (Bonefeld 2017). By constitutionalizing the monetary union project and the social market economy agenda, the EU member states have voluntarily locked themselves in to undertake certain forms of intervention that are necessary for a region-wide competitive liberal order to flourish. To preserve the EU's "system of liberty", especially during periods of economic crises, individual states can no longer intervene through Keynesian policy instruments such as currency devaluation and deficit spending, but through the implementation of neoliberal policies to ensure the "flexibility" of price, wage and labor, and through the enforcement of an entrepreneurial culture to prevent the "proletarianization" of the socio-economy (Bonefeld 2017).

Drawing lessons from the failure of the Weimar Republic experiment and from the crisis-ridden policy of *laissez-faire*, the normative position of ordoliberals in the political economy of governance was that the state – by virtue of its political authority – must proactively function as "market police" by guaranteeing societal order for the freedom of competition in a liberal economy. Werner Bonefeld (2012, 652) has succinctly explained the German ordoliberal rationale behind the injunction for a strong state and its Schmittian roots:

The ordoliberal state is to monopolise the political, depoliticise socio-economic relations, and embed the moral values and norms of market liberty into society at large, dissolving resistance to austerity and transforming querulous proletarians into individualised and willing participants in the market price mechanism. At issue is thus the construction of a market-conforming moral framework that is about the creation of an entrepreneurial personality ... Freedom is ordered freedom ... [T]he strong state is a security state, one which in a time of need becomes a state of emergency.

From this perspective, along the lines of Schmitt's idea of authoritarian liberalism, the ordoliberals argued that the free economy derives its security from the political authority of the state. The effect of which is to protect the liberal economy from conflictive politics and remove it from the principle of democratic accountability. Within this governance structure, strong state authority enforces a de-regulated economy through an economic constitution in which rule-based and law-governed economic policies are defined. But securing the hegemony of capitalism and the free economy is not only about state governance *over* the economy but also *through* the society's ways of living and thinking. The state makes the attainment of complete competition a legal obligation, a moral imperative and a public duty of workers, entrepreneurs, and the citizenry as a whole. Hence, the process of establishing an enterprise society is done through the shaping of mentalities of the governed in accord with the disciplinary requirements for workers, entrepreneurs, and citizens to be self-responsible economic actors.

3.2 Thatcherism and Reaganomics

The stagflation of the 1970s marked the crises of Keynesian economic techniques and social democratic policies and paved the way for the ideological culmination of the ordoliberal roots of neoliberalism. In particular, the ordoliberal ideas for a strong state and a free economy got revived and gained political traction in the 1980s with the assumption of Margaret Thatcher to UK premiership and Ronald Reagan to the US presidency (Gamble 1979; Harvey 2005). Thatcher and Reagan promoted their brand of neoliberalism, essentially based on a particular moral philosophy of capitalism and on a conservative politics against social forces of socialism. Both of them preached the economics of minimal government, yet governed the economy and society with authoritative state institutions.

At the heart of the politics and economics of Thatcherism and Reaganism was a strong state that is democratic enough to debate with counter-elites from the political opposition, but forcefully authoritarian in foreign affairs and in class relations with labor. Among other things, governance under the Thatcher regime was characterized by a mixture of authoritarian populism, ordoliberalism's social market doctrine, and Hayekian liberal political economy (Gamble 1979; Hall 1979). In their heyday, the Thatcherite social bloc mobilized popular support by constructing a language around an anti-left campaign – which included an assault on social democracy's institutions for welfare and its ideals of solidarity, a critique on the inefficiencies of government services and public enterprises, and a rhetoric on the need for authority to guarantee law and order in the society (Hall 1979; Hall et al. 1978; cf. Jessop et al. 1984). They upheld Friedrich Hayek's "principles of liberal political economy on which the social market economy rests", giving priority on individual liberty over collectivist democracy, rule of law over interventionist bureaucracy, and free markets over socialist planning (Gamble 1979, 6-10). The class consequence of this Thatcherism was the destruction of the postwar settlement in favor of capital over labor, and its political objective was the strengthening – if not centralization – of state power.

Milton Friedman's theory on "monetarism" has been conventionally associated with the Thatcher government's economic policy to manage inflation, ensure price stability, and promote the natural growth of the economy through the control of money supply. However, Thatcherism was more than "economism", or an economic methodology; it had an ideological and class project. As Andrew Gamble (1979) aptly observed, "monetarism and economic liberalism ... linked with other ideas and movements, the most significant of which [was] the populist right in the Conservative Party", altogether they had "launched a broad assault on the political forces that underpin Keynesianism, the forces and organizations of social democracy" (3). Further, the Thatcherite bloc, as Stuart Hall (1979) noted, "found a powerful means of popularizing the principles of a Monetarist philosophy" through "the doctrines and discourses of 'social market values' – the restoration of competition and personal responsibility for effort and reward, the image of the over-taxed individual, enervated by welfare coddling, his initiative sapped by handouts by the state" (17). Indeed, Thatcher was engaged in a serious anti-socialist ideological battle for hegemony. As she boldly asserted in an interview:

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What's irritated me about the whole direction of politics in the last 30 years is that it's always been towards the collectivist society. People have forgotten about the personal society. And they say: do I count, do I matter? To which the short answer is, yes. And therefore, it isn't that I set out on economic policies; it's that I set out really to change the approach, and changing the economics is the means of changing that approach. If you change the approach you really are after the heart and soul of the nation. Economics are the method; the object is to change the heart and soul (Thatcher 1981).

In the US, the Reagan era of the 1980s combined conservatism in the areas of politics, society, and culture with neoliberalism in the economic sphere. Reaganomics, or trickle-down economics, mobilized state resources and institutions to promote the business interests of capital while disciplining labor. Reagan's (1981) economic recovery program was premised on the analysis that:

The most important cause of our economic problems [i.e. high inflation and stagnant growth] has been the government itself. The Federal Government, through tax, spending, regulatory, and monetary policies, has sacrificed long-term growth and price stability for ephemeral short-term goals.

Against this background, the Reagan administration carried out a neoliberal revolution in economic policy opposed to Keynesian demand management and social-democratic welfarism. In particular, taxes in capital gains, federal incomes, and upper class earnings were reduced; government spending for social services was cut; and policies of deregulation and monetarism were instituted. The assumption was that austerity measures, fiscal discipline and monetarist policies would increase the supply, as well as the demand, for both capital and labor.

Throughout the 1980s, the tightening of monetary policy to fight off inflation came, quite paradoxically, with a considerable rise in government budget deficits. Reaganomics resulted in, *inter alia*, downward pressures on wages, widening income inequalities, the strengthening of finance capital or the "rentier" class on Wall Street, and the collapse of organized labor (Meeropol 1998; Moody 1987). Though spending for welfare programs was severely cut, the government allotted more money for the state's coercive apparatuses – particularly the police, military, and criminal courts. As punitive responses to the societal consequences of neoliberal economic restructuring, the Reagan administration resorted to state policing, which included a substantial increase in government funding for surveillance, prison facilities, the infamous war on drugs, and the general criminalization of social problems (Parenti 1999; Piven and Cloward 1982). For its international operations, fiscal policy for the military establishment's global operations was expansionary – which provided a considerable source for the objectives of economic recovery. Part of this was the "Reagan Doctrine" in which proxy armies that are anti-Communists were supported across the world as a US foreign policy to contain the "evil empire" of the Soviet Union (Pratt 1987; cf. Foelber 1982).

3.3 The Kirkpatrick Doctrine and Political Development Theory

During the Reagan presidency, the so-called “Kirkpatrick Doctrine” came to prominence. The doctrine was a geopolitical justification of US exceptionalism to support anti-communist dictatorships (including in the Philippines, Indonesia, Guatemala, and Argentina) and armed groups (including the mujahideen in Afghanistan, Contras in Nicaragua, and the National Union for the Total Independence of Angola) in the Third World. Arguably, it had been a *de facto* US foreign policy since the 1950s, including the Vietnam War period. Named after Jeane Kirkpatrick (1979, 1982), the Reagan administration’s Ambassador to the UN, the doctrine posits that “authoritarian regimes” were a much lesser evil than “totalitarian regimes”. This means that while authoritarianism merely attempts to discipline the behavior of people, totalitarianism controls the mind of subjects and instills in them the state’s ideology just like in Nazi Germany and the Soviet Union.

In the context of the ideological confrontation between the US and the Soviet Union during the Cold War, Kirkpatrick argued for double standards on capitalist authoritarianisms, positing that authoritarian regimes are more amenable to democratic reforms and also relatively acceptable to US national interest. She therefore urged the US to act according to *realpolitik*, based on “facts”, tactics and strategy rather than pure ideology:

The foreign policy of the Carter administration fails not for lack of good intentions but for lack of realism about the nature of traditional versus revolutionary autocracies and the relation of each to the American national interest. Only intellectual fashion and the tyranny of Right/Left thinking prevent intelligent men of good will from perceiving the facts that traditional authoritarian governments are less repressive than revolutionary autocracies, that they are more susceptible of liberalization, and that they are more compatible with U.S. interests. The evidence on all these points is clear enough (Kirkpatrick 1979).

However, there are contradictions in this proposition by Kirkpatrick. Empirically, it conceals the reality in the foreign policy of empires, especially the US, in which “facts” are conveniently selected to serve their own national interests and objectives. Thus, in theoretical terms, there is absurdity in Kirkpatrick’s claim on the desirability of pinpointing facts outside the right/left spectrum, while asserting that this geopolitical sensibility is not ideological.

Nevertheless, the Kirkpatrick Doctrine provided not only tactical and strategic rationale, but also intellectual and ideological justifications for autocrats in the Third World, such as Ferdinand Marcos in the Philippines in the 1970s-1980s (Bello et al. 1982; McCoy 2009) and Suharto in Indonesia in the 1960s-1990s (Vatikiotis 1998; Simpson 2008). But then this doctrine was founded on the iron law of American realism and utilitarian-opportunist foreign policy as the US gave up its support to Marcos in 1986 and Suharto in 1998, respectively – when these dictators of its client states were infirm and politically weak due to old age and illness, and when stronger street protests and political opposition had gained pivotal momentum against the incumbent regimes.

By the 1980s, the US recalibrated its foreign relations strategy amidst the wave of democratization sweeping parts of the Third World by guiding the transition to “low intensity democracy” of formerly authoritarian, autocratic, or military regimes. During this transition period, the US rhetorically discredited the principle of “authoritarianism” in favor of formal institutions for democratic decision-making and socio-political legitimacy, especially through the conduct of regular and competitive elections. Yet, as Barry Gills and Joel Rocamora (1992) aptly observed, at the dawn of the “new world order” of global capitalism when the highly indebted developing countries were being subjected to neoliberal structural adjustment programs, this US-orchestrated low intensity democracy allows for a “civilianised conservative regime [which] can pursue painful and even repressive social and economic policies with more impunity and with less popular resistance than can an openly authoritarian regime” (505).

Theoretically, if taken at face value, Kirkpatrick’s argument for US foreign policy toleration of authoritarian regimes does not seem to resonate with the conventional interpretation of modernization theories, which were initially developed by the US Social Science Research Council, which produced the six-volume series *Studies in Political Development* in the 1960s. Modernization theorists have generally been construed as proponents of the “Westernization” process of post-colonial societies and pre-industrial economies, promoting “modern” institutions and values similar to the rules-based system and stable institutions in “Western” countries. But this US-style “doctrine of political development” implied the modernization of all social activities *except* politics (Cammack 1997). In identifying the *normative* relationship between modernization theory (i.e. towards capitalism) and political development theory (i.e. towards democracy), the issue of “social control” is critical because “[t]he theorists of political development did not endorse the idea of dichotomy between the traditional and the modern, nor did they argue for the wholesale modernization and Westernization of all aspects of life” (ibid., 48). In this scheme, traditional political considerations and cultural values in Third World contexts are appreciated as functional to contribute to, rather than hamper, the project for capitalist economic modernity (Cammack 1997; cf. Pye and Verba 1965). The contradiction, however, with these arguments from both modernization theory and its critics is their assumption that repressive policies in the sphere of politics are “unmodern” or fall outside modernity. They seem to insinuate that political modernity is a lofty ideal of the “Western” culture when the recorded atrocities in the history of colonialism and imperialism have been carried out by “modern” superpowers from “the West”.

3.4 Asian Values

The “Asian Values” discourse was promoted by “strongmen” leaders in parts of Asia and other intellectuals during the 1990s as a critique against the universality arguments on human rights as well as on neoliberal market capitalism. Main proponents of the discourse were authoritarian leaders Mahathir Mohamad of Malaysia, Lee Kuan Yew of Singapore, and Li Peng of China who argued for the existence of an Asian culturally-based worldview which values, among others, acceptance of hierarchy, the need for social cohesion and harmony, respect and reverence for family,

and benevolence in government (Rodan and Hewison 1996; Thompson 2004). These values are claimed to be the basis of the Asian model of capitalist development that have been key to the realization of the “East Asian miracle” or the phenomena of the “high performing Asian economies” and the “newly industrialized countries” which attained rapid growth with equity through active state intervention.

The Asian Values debate is not only limited to the issue of the universality or relativity of human rights, but it is also a debate over the relationship between capitalism and political regime – that is, a question of the relationship between development and democracy (cf. Diamond 1992; Przeworski et al. 2000; Schumpeter 1943). Here, two ideological camps can be identified. On the one hand were proponents of Asian Values who were governing elites – Mahathir, Lee Kuan Yew, and Li Peng – and who argued adamantly with theoretical and empirical points on the necessity of authoritarianism *for* development (see Zakaria 1994). On the other hand, democratic forces provided *normative* arguments that development must come with democracy (see Sen 1999; cf. Ramos 1998).

The Asian Values discourse has been criticized for being conceptually false given the diversity of cultures in the region; politically suspicious as a justification for cementing authoritarian rule; and economically bad, causing the 1997 Asian crisis (Fukuyama 1999; Thompson 2004). But its proponents have also put forward a relatively strong theory of “authoritarianism for development” – or, the conduciveness of authoritarian politics for the development of capitalism (Fukuyama 1992; Zakaria 1994). Their arguments also flaunt empirical evidence from the 1990s onwards, which showcased the “illiberal” Asian way to capitalist development of Singapore, Malaysia, China, and even Indonesia and Vietnam. This authoritarian developmentalism was earlier observed during the centuries of Western colonialism and the catching-up periods of Japan and South Korea (Gerschenkron 1962; Johnson 1987; Taira 1983).

Critics of Asian Values may also point out their version of successful cases from US-style liberal economy to Scandinavian welfare states to substantiate their argument about the inescapable link between market capitalism and political democracy. Their argument, however, has not moved beyond the normative – for example, the “development as freedom” thesis of Amartya Sen (1999). A theory of “democracy for development” remains elusive, one that specifically addresses the questions: What does democracy have that is conducive to development, and why is development necessarily democratic? Amidst this shortcoming to come up with a convincing theory of democracy *for* development, the ideology of capitalism has shown its capability to accommodate or adapt to progressive-sounding formulations like “social capitalism” and “capitalist democracy” (Boron 2005), as well as a multiple of adjectives such as “capitalist authoritarianism”, “capitalist justice”, and “authoritarian capitalism”.

Apparently, both proponents and critics of Asian Values can respectively cite concrete country cases to prove their claims. Yet, more important to comprehend beyond its theoretical abstractions, empirical claims, and cultural undertone are the unequal class relations that underpin the Asian Values discourse. The specificities of these class dynamics need to be understood at both the domestic and international scales. At the national level, depending on the existing social structure and historical

tendencies, the relationship between the political and economic aspects in a particular country can assume different forms. At the global level, a country's domestic circumstances largely shape the condition of its integration into the world economy. For instance, autocrats can easily prosper in countries wanting in countervailing forces from organized labor unions, social movements, and civil society. Countries with tremendous poverty and inequality are amenable to power and value grabs by the dominant elite classes. Authoritarian regimes that have succeeded to industrialize and developed their production systems would be more welcome and competitive enough in the global economy.

3.5 Effective State and the Good Governance Agenda

During the 1990s, the literature on governance and political economy was swamped with competing perspectives on the state of the state in the epoch of globalization. By now, this kind of ideological debate on “state versus market” would appear futile. Active state intervention to make markets work is intrinsic to the history of capitalist development (Polanyi 1944) and likewise, as discussed above, to the ordoliberal origins of neoliberalism. International organizations concerned with global economic governance – particularly the World Bank (1993), alongside the International Monetary Fund, the various multilateral development banks, the OECD, and even the UNDP – have coherently proposed the institutionalization of a complementary relationship between states and markets.

In its *1997 World Development Report* with the theme “The State in a Changing World”, the World Bank (1997) prescribed an “effective state”, which can plausibly be authoritarian so long as it amplifies the need for a market-friendly government and economy. This state is effective in the sense that it does not reduce government to a “minimalist” function. Rather, the state has to have a proactive role in facilitating and encouraging activities of private businesses and individuals.

The World Bank's critique on the failure of state interventions in centrally-planned and mixed economies underscored the importance of making governments capable of enforcing the rule of law to underpin economic transactions. However, its “state reform framework strategy” imposes limitations on the scope of government intervention in the development process. Since activities of the state are dependent on its capability, this implies that weak states with poor capabilities cannot intervene in economic development the way the highly capable rich or strong states can (Cammack 2003). This requirement for an effective state was consistent with the reception of “effective” labor unions into the capitalist accumulation regime as earlier declared in the *World Development Report 1995: Workers in an Integrating World*. Organized labor unions can be tolerated provided that they work for profit-making activities of private enterprises, and they do not assert job security, demand social entitlements, resist structural adjustments, and distort market operations (World Bank 1995; cf. Cammack 2003).

In the *World Development Report 2002: Building Institutions for Markets*, the World Bank (2002) spelled out the agenda for “Good Governance” based on the recognition that “[m]any of the institutions that support markets are publicly provided” (99). It understood the importance of building state capability in shaping

human behavior and regulating a well-functioning market. It then explicitly defined the market-oriented meaning and scope of government institutions and regulations for the economy:

Good governance includes the creation, protection, and enforcement of property rights, without which the scope for market transactions is limited. It includes the provision of a regulatory regime that works with the market to promote competition. And it includes the provision of sound macroeconomic policies that create a stable environment for market activity. Good governance also means the absence of corruption, which can subvert the goals of policy and undermine the legitimacy of the public institutions that support markets (World Bank 2002, 99).

From 2010 on, even the UNDP has been indicating its policy alignment and convergence with the World Bank's neoliberal orientation (Cammack 2017). For a while, the UNDP's "humanistic" perspective on development was perceived as an alternative to the World Bank's capitalistic "economism" program. Particularly in the early 1990s, the UNDP (1990) differed from the economic development paradigm that reduces human beings to mere instruments of commodity production; thus offering a "human capabilities" approach to development through improved public provisions on education and health, as well as through an environment where humans can enjoy a larger space for choice and the freedom to use their acquired capabilities, such as for leisure, productive or creative work. Over time, however, as Paul Cammack's (2017) comparative review of global development policies shows, the UNDP's vision for human development has been tied to the World Bank's political economy of adjustment to the imperatives of global capitalism. Within the structure and relations of fierce competition, both domestically and internationally, capital rather than labor is set free – a classic observation and argument propounded by Marx (1973) in his critique of political economy. Specifically, UNDP's policy prescriptions have discursively adapted to the World Bank's trademark neoliberal capitalist strategies and ethos, notably: labor productivity as a fundamental engine of competitiveness; the role of states as catalysts to adjust to world market realities; the functional character of crises as opportunities for societal and market reforms; the restructuring of social services to discipline the poor and workers; the rhetoric on the complementarity between labor and capital in the development process; and the program to change human behavior and attitudes attuned to the logic of competition (Cammack 2017).

4. Concluding Remarks

This article has attempted to provide a conceptual sketch of the regime of authoritarian neoliberalism that is emerging under the circumstances of the twenty-first century. It has first examined an important philosophical influence on the operating principles and practices of this new regime derived from Carl Schmitt's established ideology about governance for a strong state and a free economy. Then, it has discussed relevant theories and policies which have manifested a synergism between

authoritarianism and capitalism for the conduct of government and the process of socio-economic development from the long twentieth century to contemporary times, namely: German ordoliberalism, Thatcherism and Reaganomics, the Kirkpatrick Doctrine and Political Development Theory, the Asian Values discourse, and the Effective State and Good Governance agendas.

Authoritarian neoliberalism is best understood as a capitalist “social regime” in which the relations between the political and the economic spheres in the society are organically connected to, rather than separate from, each other. In this sense, authoritarian neoliberalism is not merely an organizational entity such as the state but “a form of social relations” (Holloway 1994; Wood 1995). The specific “state form” governing this regime can be referred to as the “authoritarian-neoliberal state”, which embodies a politico-economic institution where a neoliberal market economy operates within a political framework of authoritarianism.

4.1 The Authoritarian-Neoliberal State

The concept of an authoritarian-neoliberal state proposed here is a particular articulation of a prevailing orientation of governments in favor of authoritarian politics and neoliberal economics. As such, this does not deny the fact that states are sites of contestation and coalition; in particular, they are arenas for social struggle and alliance formation among factions of the capitalist class themselves and between political-business elites and other social groups and actors who seek to advance their respective interests.

The authoritarian-neoliberal state survives and thrives on the workings, logic, and relations of the capitalist regime of accumulation under conditions of globalization in the twenty-first century. Its fundamental mission is twofold: to create an attractive business climate through market-oriented institutions and to ensure elite dominance through market-driven class relations. Thus, its governance objectives are to optimize conditions for capital accumulation and maintain the hegemony of elites by all means.

Governance of authoritarian neoliberalism demands the state to promote capitalist hegemony by making key government resources oriented towards the protection of business interests through institutions, policies, tax breaks, concessions, and other guarantee provisions. This state does not espouse central planning; yet it is strong in enforcing the rule of law and maintaining the stability of social and economic institutions to provide a high degree of security for business. It is obsessed with growth and sees the private sector as the foremost engine of development. It is for the privatization of assets to enlarge the space for capital accumulation. It is for de-regulation or re-regulation not so much for the common good but to ensure market sovereignty. It is for liberalization for the free mobility of capital that can easily enter and exit the country. It is for “flexibility” in labor markets in which rules are flexible for the market but a source of insecurity for labor. It mainly regards competitiveness and productivity as a race to the bottom and would likely bank on competitive advantage based on low wages and poor labor conditions. It proclaims competition while tolerant of oligopoly and monopoly power. In times of crises, the facilitative role of the government is complemented with interventionist actions in mediating, if not

absorbing the risk, of market failures through fiscal and monetary policies – including bailouts and subsidies – as well as social policies geared at maintaining socio-economic stability and the need for political legitimacy. At the same time, the authoritarian-neoliberal state is essentially anti-democratic as its governance system is more responsive to elites and market forces than to the popular-democratic multitude. If necessary, it resorts to elite compromise or cooptation, extending “democracy” on elites through the provision of exclusive access to government rents and resources while enforcing repressive authoritarian discipline on the masses and workers. It is characterized by the dominance of the executive, whose preferred legislation is the issuance of executive orders that bypasses the democratic requirements for parliamentary decision-making and judicial oversight. It is the most potent coercive apparatus for the perpetuation of the capitalist strategy of “accumulation by dispossession” (Harvey 2006).

Capitalist societies can breed a variety of regime types and state forms in which a regime of authoritarian neoliberalism and an authoritarian-neoliberal state are simply a couple of the observed social configurations emergent in contemporary global capitalism. The debate on whether capitalism and authoritarianism are synergistically or contradictorily related to each other depends on value judgments and time-space contexts. On the contradictions between authoritarianism and market capitalism during the period of neoliberal globalization, at least three important issues had long been identified:

First, the resolution of conflict between competing elements of capital requires mechanisms of mediation which authoritarian regimes find difficult to provide. Second, the ... relationship between market capitalism and the state requires mechanisms of accountability inimical to most authoritarian regimes ... Third, the dismantling of mercantilist state powers seriously weakens the power base of the officials who normally exercise authority within such regimes (Hewison et al. 1993, 29).

For instance, in the specific historical contexts of countries in the “Third World” there are conceivable theoretical contradictions and there have been concrete empirical cases of class and social conflicts that can be observed in the blended structures of capitalism and authoritarianism even among the elites and capitalists themselves. State-dominated capitalisms contrast with the imperatives of the international economy for market-based competition. In the neoliberalization process of a country, such as a project to liberalize a particular sector of the domestic economy, the emerging capitalist class among the “new bourgeoisies” may often be compelled to challenge, or at times cooperate with, long-protected “cronies” under state capitalism (Harris 1988; Juego 2015a; Putzel 2002). In Southeast Asia, patrimonial regime’s patronage-based accumulation accustomed to the politics of expediency is contradictory to Weberian “rational” capitalism, whose accumulation activities require market predictability and calculability (Gomez and Jomo 1997; Juego 2015b; McCoy 1993). In Latin America during the 1970s, the nationalism of military regimes was contested by the internationalism of the high bourgeoisie (O’Donnell 1979).

As a social regime, authoritarian neoliberalism manifests the structural contradiction in capitalist relations. Authoritarianism is contrary to the proclaimed ideals of capitalism for individual freedoms. But, at the same time, authoritarianism is embedded in an elitist class stratification whose reproduction is fundamental to maintaining the hegemony of capitalism. The interests of elites in the process of neoliberalization are not antithetical to authoritarian neoliberalism. These tendencies can be mutually reinforcing. After all, neoliberalism is an elite class project.

4.2 Salient Characteristics of the Regime of Authoritarian Neoliberalism

In essence, the regime of authoritarian neoliberalism is capitalist, elitist, pro-market, and anti-democracy. Its salient characteristics are observed in a number of senses.

First, the regime represents the unequal and exploitative relations between classes, as well as the logic of accumulation, in *capitalism*. The workers, the “informal” laborers, and the poor are all organically included in the system of production and process of accumulation, but they are systematically excluded from the fruits of their own produce and labor. Or simply, they are inhumanely dispossessed of their collective rights to wealth, resources, social entitlements, and a life of dignity.

Second, the regime is *driven by elites* whose interests in wealth and power are to be protected and promoted at all costs. Its elitist political structure is hierarchically stratified for the maintenance of elite interests and the social order of elite rule. In the elitist character of economic development, once the economy gains growth, only few benefit from it.

Third, the regime is *never democratic* in the real signification of “people power”. This is necessary for the strategy of accumulation by dispossession. Its illiberal politics assaults liberal freedoms and civil and political liberties for the presumed authority of the state. At the same time, it depoliticizes issues of finance and the economy, purportedly to preserve market order. Its notion of “formal” democracy is limited to a procedural appreciation of the rule of law. This includes the immunization of “the economic” from “the political” – be it in the accordance of rights or in any other sphere of policy decision-making. It does not appreciate the substantive virtue of democracy as social relations of popular power from the household and the workplace to the polity and the economy.

Fourth, the regime creates an *illusion of democracy* for its socio-political legitimation needs and purposes. Its structure and tendencies resemble the features of “low intensity democracy” observed since the early 1980s (Gills and Rocamora 1992; Gills, Rocamora, and Wilson 1993), whereby: [i] “rule of law” is meant for social control by the ruling political-business elites rather than the goals of (social) justice; [ii] bits and pieces of democratic structure and institutions are established at a certain level or degree so long as the material and ideological hegemony of the ruling elite class is not radically challenged; and [iii] the space for political opposition is structurally limited.

Fifth, *capitalism can function even without political democracy*. The choice of investment site depends on a particular firm’s business calculations. From the perspective of capital, big investment decisions are based on their analyses of profitable opportunities, feasibilities, risks, costs and benefits. A regime of authoritarian neo-

liberalism does not guarantee profitability. Capital may opt to settle in an economy with a “more open” political system and a “more liberal” labor regime.

Sixth, the regime is enforced by a *strong state*. This authoritarian-neoliberal state is capable of de-politicizing the spheres of society and the economy through government’s authoritative actions and coercive means when desired and necessitated. It also possesses the capacity to be highly intrusive and interventionist in societal and economic affairs when and where necessary.

Seventh, in terms of government, the regime is characterized by *executive dominance*. Neoliberal policies and the institutional support mechanisms they require can be put in place through executive orders and can be implemented through the political will of the executive to utilize the coercive apparatus of the state. In the final analysis, the executive reins over state power and resources, notwithstanding checks and balances from parliamentary and judicial institutions.

Eighth, the regime’s policies are more receptive and *responsive to market forces* than the well-being of people. The values of such policies would be “profit over people” and “market over society”. Populism is desired and deployed to gain some degree of social legitimacy, using semantic engineering of “populist” or even pro-poor language of market reforms, but this is not honestly intended.

Ninth, there are *varieties of authoritarian neoliberalism* with different mixtures of political and economic configurations. A particular politico-economic fix can greatly determine the “relative stability” of the regime. Politically, authoritarian-neoliberal regimes with a modicum of free elections, media activity, and parliamentary debates enjoy higher levels of societal satisfaction, support and legitimacy than overtly repressive autocracies. Economically, the process of *neoliberalization can be pursued with or without industrialization*. Thus far, it can be observed that authoritarian-neoliberal regimes which have pursued industrialization strategies (notably, the historical experience of developmental states in East and Southeast Asia) are more stable than autocratic regimes (such as in parts of Africa and Latin America) where their own manufacturing and productive sectors have remained underdeveloped (cf. Reinert 2007). Industrialization opens up the potentials, scales and opportunities for better economic growth, larger division of labor, more decent wages, more infrastructure development, more spaces for union organization, and a broader tax base to finance social policies and welfare programs.

Tenth, when the regime is faced with conflict between political and economic considerations, *politics takes command*. In a word, politics rules over economics.

Eleventh, the regime uses ideology as an instrument of its interests. But oftentimes, what matters most are vested interests, rather than ideology. When push comes to shove, *ideology ends when interests begin*.

Twelfth, all the political repression, economic inequalities, and social injustice entailing the regime’s accumulation of power and wealth generate contradictions, conflicts and resistance. As such, the regime is *constantly engaged in social conflicts and class struggle* through which the *process of change* may occur.

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Book Review: Public Administration in Search of a Theory of Change

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By Edoardo Ongaro

Philosophy and Public Administration: An Introduction.

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After decades of neoliberalism and state bashing, the state and public collective action are back. One can see different signs of this, from the re-emergence of industrial policy to the myriad of new organisations and partnerships with “public” in their title. On the one hand, this does not necessarily come as a surprise, such swings back and forth in how we envision and understand the state are seemingly in the very nature of capitalist development, as described by Carlota Perez (2002). On the other hand, as markets are not all evil, the state is not all good, either: Trump’s presidency can be described as a highly activist state, as well (particularly so in trade policy, women’s rights, environmental issues). Such large swings in political and policy moods create somewhat paradoxical challenges for civil servants: just a few years ago public administrations were tasked not to interfere with market mechanisms – and now these same organisations should take the initiative in shaping markets through activist policies, such as mission-oriented industrial policies. This poses perhaps the most difficult question for public administrations: what defines the purpose of public organisations? Is the purpose defined by legal and political frameworks, or are there more substantive issues at play, as well, such as social justice?

Over the last century, economics, and in particular variants of neoclassical economics, has become an increasingly important source of defining what public organisations should do. From welfare economics to public choice to cost-benefit analysis, economics has provided what can be called a substantive theory of change for public administrations. And this theory can be summed up as a “do no harm” principle: civil servants should strive to minimise the impact of the public action on private and social actors. Noticeably, public administration as a scholarly field has been unable to provide its own take on the theory of change, at least none has taken hold of practitioners’ imagination as economic theories have. Perhaps the most profound efforts stem from the late Christopher Pollitt, his two last books (2008 and 2012) mapping

space, technology and time as key drivers of change in public administrations. These were both accessible and bold books, written not so much to address topics of today in public administration, but instead written with the eye on more timeless questions for the field of public administration as a whole. In these footsteps now follows Edoardo Ongaro with his latest book on philosophy and public administration.

Like Pollitt, Ongaro is not overly bothered by the issues of the day, be it the digital transformation or something else. Instead, he seeks to open a new and enormous source of ideas for discussing theories of change in public organisations – philosophy. Indeed, philosophy as a whole, not “just” ethics or political philosophy. This bold approach alone makes this book worth a read, however fleeting, for all public administration scholars.

The reader should, however, take note of the second half of the title: this is an introduction, an attempt to map all the possible dialogues between a few thousand years of philosophical thinking and the much more junior discipline of public administration. Thus, it is not about, as one would perhaps expect, philosophical perspectives about various public administration issues. Rather, the book attempts to accomplish two things:

First, “it suggests the possibility and urges to engage in ‘big narratives’ about public governance and administration – that is, about the possibility of both understanding and knowing continuity and change in the fundamental characters of public governance and administration.”

Second, “it advocates the search for consistency across the findings of the research work done in the field.” (214)

In order to accomplish this ambitious task of defining public governance and administration through substantive issues, Ongaro starts in the first chapters with something of a compromise: chapters 2 and 3 are mostly a tour de force through the history of philosophy in order to create a proper background to discuss how philosophy could be used to address public governance and administration issues in the following chapters. This makes chapters 2 and 3 perhaps too introductory for those who know, more or less, the basic tenets of the history of philosophy. It might have been useful to tell the readers that if they feel secure enough in philosophy, they can easily skip these two chapters.

The book really comes into its own in chapters 4 and 5, which are on public administration doctrines discussed from philosophical perspectives and more specifically on political philosophy and public governance, respectively. These chapters offer fascinating discussions of existentialist public administration (can we see it as a challenge to Weberian administration?), of public value (does it blur the politics/administration divide?) and of Rawls (should public administrators pursue objectives of social justice?), to name but a few examples. These and other philosophical discussions in the book show why public administration needs to discuss its own theory of change – and why philosophy, next to social sciences, should be seen as a key source of inspiration and rigour for such discussions.

The book is prefaced by Geert Bouckaert, and its postscript comes from Wolfgang Drechsler, both probably the biggest influences on Ongaro in writing this book: in terms of ambition and in the quest for timeless topics (Bouckaert on utopia) and in terms of also bringing visual arts into the discussion in addition to philosophy

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(Drechsler on Lorenzetti). Particularly Drechsler's postscript shows Ongaro's courage again as an academic, since the postscript reads like a sympathetic yet critical book review. But this, of course, is very much in the spirit of philosophy: the eternal quest for questioning. Ongaro deserves a tremendous amount of credit for bringing this spirit to public administration.

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