



Transforming Governments in the 21st Century

Papers

Global Reinvention: Basic Issues, Questions Ahead

Donald F. Kettl

Nonresident Senior Fellow
Governmental Studies
The Brookings Institution

Director
Robert M. La Follette Institute of Public
Affairs
University of Wisconsin-Madison

In the late 1970s and early 1980s, governments around the world found themselves simultaneously confronted by remarkably similar pressures. Citizens demanded smaller, more effective governments. They wanted more responsive services, more efficiently delivered. Developed nations struggled to reshape their social welfare and economic policy apparatus, while developing nations sought to create social and economic systems that could compete effectively in the globalizing economy. While the chords of reform varied, the underlying theme was remarkably common. Citizens demanded a reinvention of the way their governments operated-and of the relationships between government and citizens.

Faced with huge challenges, governments everywhere launched major innovations. In some countries there were fundamental structural changes, like the privatization of railroads, airlines, and telephone companies. In other countries, there were profound process changes, like customer service and improvements in the public procurement system. These changes took place against a backdrop of fundamental social and political changes, from toppling the Berlin Wall to the end of apartheid. European nations tackled the fundamental issues of the new union, East Asian nations launched substantial state-supported economic development strategies and in Eastern Europe countries struggled to democratize. In the United States, a major tax-reduction movement accompanied an assault on the federal budget deficit and President Bill Clinton and Vice President Al Gore's major campaign to "reinvent government."

Viewed up close, these changes certainly flowed from the special problems each nation confronted. Viewed from a higher altitude, however, it is impossible to miss the worldwide nature of these changes. The scope, breadth, and pace of change proved stunning and universal. It proved nothing less than a global revolution, spread by the dawn of the information age and by the inescapable demands of citizens. A careful look at this revolution helps show the fundamental problems it was launched to solve; common themes nations used in attacking these problems; important lessons they learned; and the tough questions that lie ahead.

This paper will examine some of the issues to be discussed at the January 1999 Global Forum on Reinventing Government. It cannot be comprehensive. Indeed, the experiences and lessons of the world's nations over the last twenty years are far too rich to capture in any document, no matter how detailed. Neither can this paper provide clear answers. But those who have looked carefully at global reinvention invariably come away with something even

more important: a sometimes surprising realization of the universality of the basic questions. This paper is intended as a way to shape those discussions; to provide a foundation for thinking about the lessons the past generation of innovations has taught; and to begin identifying the questions that the next generation of reform must solve.

Basic Issues

Any careful look at this puzzle must begin with a basic question: Why did so many governments around the world launch such fundamental reforms in such a short period of time? It is impossible to miss either the flood of new government strategies or the remarkable resonance of the basic strategies. Governments virtually everywhere downsized, privatized, reengineered, and sought improved customer service. They worked to improve the performance of government and reduce its costs. They tried to increase; the skills of government workers, the flexibility government workers had to do their jobs and the accountability of government workers to governmental policy. They pared back government services while attempting to regain citizen trust. They struggled to define their new relationships with an increasingly global community, where neither economic nor social policies could be pursued in isolation

Why did the "size-of-government" issue burst so suddenly and universally into the civic consciousness? Developed nations, in the late 1970s and early 1980s, found themselves confronted by extraordinarily powerful demands for reducing the size of government. These demands, furthermore, were largely unrelated to how big government actually was. In 1980, government at all levels in Australia amounted to 31.4 percent of gross domestic product. In Canada, it was 39.6 percent; in New Zealand, it was over 50 percent, in the United Kingdom, 43.0 percent; in the United States, 31.4 percent; and in Sweden, 60.1 percent. Government employees ranged from 16 percent of all workers in Australia and the US to 21 percent in the United Kingdom to 30 percent in Sweden. Despite these huge differences in the actual size of government, the government-reform, government-cutting movement hit all of these nations at about the same time.

In part, this movement grew out of the profound economic crises of the 1970s. Economic orthodoxy had grown up to tackle either high inflation or high unemployment. It was ill-equipped to deal with both -- "stagflation" -- as it plagued the global economy following the decades oil shocks. Slower economic growth and higher inflation ate away at many citizens standard of living. That, in turn, made taxes all the more burdensome. Policy makers found themselves pressed for new ideas to fuel the creation of jobs and stable incomes, but in searching for solutions they found themselves hamstrung by a generation of regulatory and protectionist schemes that bound up their nations economies. Some nations, like Canada, faced a crippling deficit. Others, like New Zealand, faced tight budgets and stark challenges to their industries. A plea to shrink government accompanied demands to untie the constraints on private markets-to use more market-based competition to fuel growth and, in the process, serve as a model to reform government as well.

To complicate the issue, these economic pressures eroded the standard of living of many families. They found themselves working harder--even putting both spouses to work--to live as well. These family strains created further pressures to cut government spending and the tax burdens that supported it.

Reformers also sought to shrink -- or at least reinvent -- government for another reason. In program after program, performance lagged promise. Governments, and government officials, faced rising citizen expectations and lower confidence in their ability to deliver. In part, this was because citizens behaved as citizens have always behaved. They wanted ever-higher levels of service in exchange for ever-lower taxes, and elected officials often abetted this unbalanced equation through their campaign rhetoric. In part, this was because

governments were trying to do very hard things, like eliminate poverty and promote global competitiveness. And in part, this was clearly because performance was, far too often, poor.

So in addition to shrinking the size of government, governments faced the very real challenge of improving the performance of their programs. Doing either -cutting programs or improving performance - would have been challenging enough. Doing both simultaneously proved far, far more difficult.

Add to that one further element. Governments, like private companies, found themselves struggling with the demands of the transformation from the industrial age to the information age. The delivery of public services became far less a process of creating efficient but straightforward processes and much more a matter of creating and managing complex partnerships between government and civil society. Governments everywhere relied much more on contracting out, and on other indirect service processes. They confronted new management challenges in using these new processes. And they did so in the midst of an information revolution so vast that reform ideas sparked copycats around the world before their originator had a chance to determine whether they actually worked. In fact, the idea of innovation itself became an important force promoting the global government reform movement.

Developing nations faced these problems-and more. Some countries, like South Africa, strove to move from apartheid to a more integrated social and economic structure. Korea and other nations in the region worked to create, and then struggled to sustain, economic growth. Brazil sought social reform in the midst of rapid economic change. The developing nations, confronting the same ever-more-globalized economy, encountered all the issues of the more-developed nations. But they struggled as well to solve these problems in the midst of often-stunning tensions and problems. For many of these countries the big questions were not about governmental "reinvention" but about government "invention."

In short, the 1980s and 1990s saw both big challenges and sweeping change. Change is constant, of course, and anyone in the midst of it tends to see its implications as global. Every small wave looks like a tsunami to pilots of small sailboats. The waves of innovation at the end of the twentieth century, however, were in fact far larger than most. They swept across more nations more quickly. They responded to problems as important for their breadth as for their universality. They prompted government-based innovations remarkable for their scope and for how broadly they were shared. Governments everywhere sought a new equilibrium: a new balance in the expectations their citizens placed on them; the tax resources they provided; the services they expected; the administrative mechanisms they used; and perhaps most important, the relationships between citizens and their governments. Not since the dawn of the industrial age had such fundamental changes swept so far so fast through so many governments.

Strategies and Tactics

As the reform movement spread throughout the world, it developed common characteristics.

-- The search for a "smaller" government-through efficiency gains rather than cutting programs.

Citizens contended that government had gotten too big. They insisted on lower taxes. To meet these imperatives, governments often responded not by eliminating programs but by seeking increased efficiency in existing ones. Nations with large state- owned businesses, from the United Kingdom to Mexico and New Zealand to Portugal, sold many of them off. The United States accomplished the largest downsizing of its federal government workforce in history and balanced its budget for the first time in decades. But these actions could only

reduce the size of government so far. In the developed nations citizens had come to like many aspects of the social welfare state and in developing nations it became clear that some sort of social welfare state would be needed to protect citizens from the vagaries of a market economy. That left governments little choice but to seek more efficient ways of delivering services. If citizens made anything clear, it is that they expected the same level of services for less tax revenue-and that they expected governments to find some way of doing more with less. Citizens insistence on a smaller government was not matched by an appetite for cutting services

-- The development of new processes-like reengineering of service systems, contracting out, performance management, and accrual accounting-to promote those efficiency gains.

In the past, governments would have tackled such problems by reorganizing. Faced with the size problem and the efficiency imperative, however, restructuring proved only of limited help. The United States for decades had tackled this challenge by contracting out-relying on partnerships with private and non- governmental organizations for service delivery. Other nations, like Canada, began aggressively developing such partnerships. New Zealand pioneered performance-based management, tied with accrual accounting and service contracts. Australia pushed farther in developing outcome-based measurement systems. The United States pursued perhaps the most ambitious performance system, seeking to link strategic plans and outcome measures with budget systems and legislative decisions. These systems, are more tightly integrated with both management strategies and political decisions than previous attempts.

-- A new focus on transparency of government operations.

Some nations, like the United States, have for years had tough open-records and government-in-the-sunshine laws. The government- reform movement picked up many of these themes and made transparency - clarity in governments goals, openness of information on government processes, and straightforward language about results - a central goal. New Zealands contract-based system of management made transparency its keystone. And as nations like Hungary, Albania, Poland, and Estonia developed new administrative structures to meet their pressing needs, transparency was a core value.

-- A strong emphasis on customer service.

Reformers shared the judgment that rigid top-down processes dominated government programs. That, in the eyes of the reformers, limited governments responsiveness. They took a page from private-sector managers and focused heavily on government from the bottom-up. The United Kingdom advanced a Citizens Charter with explicit promises about customer service, such as rebates for late train service. Canada worked to produce improved one-stop shopping for citizens, while all federal agencies in the United States developed customer-service plans. Flipping the focus of government-from top-down direction by senior officials to bottom-up responsiveness to citizens - aimed to improve citizen satisfaction, reduce distrust, and improve efficiency.

These strategies and tactics varied significantly. More conservative governments focused on cutting taxes and then using lowered revenue to force spending cuts. Margaret Thatchers government in the United Kingdom, followed quickly by Ronald Reagans government in the United States, framed this strategy. More-liberal governments focused instead on finding which programs to cut and concentrated on improving governments efficiency and effectiveness (producing more high-quality services for the same tax level) and citizen satisfaction (with a special emphasis on customer service). Indeed, in the United Kingdom (with Prime Minister Tony Blair) and the United States (with President Bill Clinton), these more-liberal governments replaced the more-conservative regimes. Their political success, in

turn, inspired other left-of-center governments in Europe, most notably in Germany.

These government reform problems led governments everywhere to the productivity challenge: avoiding tax increases, delivering tax cuts where possible, and finding new tactics to avoid reducing fundamentally the level of government services. Governments tried to reinvent themselves through a constant stream of innovations. Locked into the tough challenge of avoiding both tax increases or service cuts, governments struggled to find an alternative. Reinvention was the answer.

Less-developed nations faced all these pressures-finding greater productivity in government services and dealing with the squeeze between taxpayer resistance and service demands. In addition, many nations struggled with traditions and deep-rooted problems that made it difficult to mount the same efforts as more-developed nations. Korea, for example, explored customer service while struggling with the age old tradition of gratuities to front line bureaucrats. Many Southeast Asian and Latin American nations worked to strengthen their economies and redress large disparities between the rich and poor-without increasing government regulation. Indeed, these nations shared the problems of the more-developed world, added special problems of their own, and faced the imperative for quickly making their societies and economies competitive on the world stage.

Questions Ahead

With the turn of the century, the global reinvention movement will mark two decades of experience. The experience has been remarkable for its breadth, depth, and energy. But what questions lie ahead?

-- *What are the limits to government's reliance on private markets, for both ideas and management partnerships?*

Drawing on a fundamental belief on the superiority of private-sector management, conservative reformers have proposed turning many of governments services back to the private sector. Even liberal reformers have relied heavily on non-governmental organizations for delivering services. These partnerships unquestionably added great flexibility to public service systems, especially in providing new and innovative ways of delivering government services without the government having to do the job itself. The competition they brought made service delivery more efficient and provided powerful incentives to government workers to improve their own work. They did not, however, demonstrate that governments could close shop on the services most important to citizens. Governments exist because private markets cannot-or will not-provide services as the public wants. After the initial sales of state owned assets, from telephone companies to airlines, governments tended to build partnerships for service delivery. Nonetheless, governments decided what ought to be done and provided the funds for doing it; non-governmental organizations worked increasingly as contractors to do public work. The Netherlands, for example, built new strategies for public-private partnerships. In developed countries the real challenge of global reinvention thus has become determining how to manage the new and often very complex partnerships that increasingly dominated service delivery. In developing countries the challenge is the creation of a vibrant, open civil society that can form some of these new partnerships with the public sector. What are the limits to privatization and public-private partnerships? What does it take to manage them effectively?

-- *How can performance measurement systems strengthen these partnerships?*

The bedrock of global reinvention has been performance-based management: giving government workers and their partners more flexibility in devising service strategies while holding them more accountable for the results they produce. New Zealand took this notion

farther than any nation, with contracts that specified what outputs managers were responsible for producing and measures that assessed how good a job they did. Australia tended to rely more on program evaluation and a broader assessment of outcomes. The United States took perhaps the boldest step of any nation with its legislative mandate for each government agency to develop strategic plans and measures for assessing their outcomes. Developing and implementing these measurement plans, however, has proven daunting. Measuring outputs is hard enough. Moving to the next step of assessing outcomes--what broader results the outcomes produce--is harder yet. Creating effective measures for activities managed through partnerships--service delivery systems that governments manage only indirectly--is harder yet. But as the job gets harder, measuring results become even more important in systems of indirect partnerships. What potential does performance measurement have for managing twenty-first century government? And what problems must governments solve to develop effective performance measurement systems?

-- How can governments mesh these new performance-based measures with their existing processes and structures?

Governments not only launched major new reinventions, innovations, and partnerships. In the process, they ventured into turf far beyond their existing procedures. It is one thing to develop tactics for managing traditional government services through hierarchically structured, authority-based systems. It is quite another to devise techniques for measuring performance and to hold contracted agents and nongovernmental partners accountable. Some nations--notably New Zealand, Canada, Australia, and the United Kingdom--invested substantial effort in improving their capacity. But how different is this capacity from the processes that have traditionally guided government management? How do governments need to alter the incentives for government workers to make this process work well?

-- How does "reinventing government" redefine the relationship between governments and their citizens?

Some of the new strategies, such as "make the managers manage" strategies like in New Zealand's contract-management system, were top-down: policy makers specified goals and held managers responsible for results through written statements of goals and performance management. But other strategies, like "let the managers manage" strategies like the American "reinventing government" process, were bottom-up: policy makers sought to sweep away the regulations and processes that prevented managers from doing their job. Both strategies changed the relationship between government and its citizens. Both asked government managers to pay far more attention to the interests and needs of citizens, and both asked citizens to connect far more closely with government. Analysts debated how well these strategies worked in practice, but they brought governments and their citizens into new relationships with each other. How should government manage these new relationships?

Since the early 1980s, governments around the world have struggled to reinvent themselves--to match their strategies and tactics to new citizen demands, to reduce their size while maintaining services, and to improve their capacity to meet the challenges of twenty-first century government. Amidst such rapid change, governments likewise struggled to redefine their role. Economic analysts, after all, seem to suggest that, with a globalized economy, governments matter less. At the same time, reformers are pushing national governmental power down to the local level and social power from government out to private markets and market-like processes. In an era of devolution and globalization, what is the role of national governments?

In part, of course, the answer is that nation states must provide for national defense, shape national economic and social policy, steer the nation's governance, and define the civic culture. The government, moreover, is responsible for defining the national interest, as its

people see it, and for ensuring that its governmental system (including its network of nongovernmental partners) works to further that interest. This challenge is far larger than most nations have yet recognized. Thus, the global reform movement has not only reshaped the processes, structures, and functions of government, in both developed and developing nations. It has also raised a fundamental-and largely unanswered-challenge about the role of the state in the information age.

Along with this new challenge to governments role is the question about how government needs to equip itself for its job. While governments have spun out a dizzying array of innovations, they have faced problems building the capacity to implement those reforms. Indeed, reform of the government service-the people who do governments work, the training they need, and the values they convey-has been one of the most difficult parts of government reform. Because the rate of innovation has been so rapid there has been to date little systematic efforts to determine how well these reforms actually work-in identifying success, in avoiding failure, and in detecting the difference. With innovations spreading, quite literally, at the speed of light it is time to consider both how to build the capacity of civil servants and how to assess the results of innovation.

Liberals and conservatives continue to battle over the size-of- government issue. Conservatives have, in many nations, cleverly pressed to lower taxes as a strategy to force cuts in government programs. But so long as citizens continue to want most of the services they are receiving, the conservative government-reducing strategy faces limits. Liberals, including "Third Way" advocates like Britains Tony Blair and Germanys Gerhard Schroeder, confront a different problem. They pledge to sustain the level of services by improving governments productivity through market-like mechanisms. But can they improve productivity enough to satisfy citizens and to avoid a new wave of public demands for lower taxes and smaller governments?

The tradeoffs are stark, and the political implications are huge. It is one thing to suggest-correctly, as it turns out-that government is in the midst of a major transformation from the industrial to the information age. It is quite another to confront the harsh and unforgiving political realities of the government-reform movement. Governments around the world have launched major reforms because they have had no alternative. They now need to think through issue of capacity and how to engage their citizens in the new systems they are creating.

The global reform movement thus is the foundation for new approaches to governance. The answers produced by the reform movement are anything but clear. But the global scope and innovative sweep of the innovations clearly chart the questions that the next steps in the global reform movement must answer.

[21st Century Home](#) • [Papers Home](#)