Persistent public management reform: an egregore of liberal authoritarianism?
Andrew Massey
Public Money & Management, Public Administration, University of Exeter, UK

ABSTRACT
This paper explores how we may better understand public administration and public sector management reform. We often interpret our world through stories and this allows us to mentally map where we have been and where we are going to. The paper explores developments in understanding public awareness and that of policy-makers and its impact on policy. It uses the financial crisis and reforms implemented 10 years on to illustrate the points and explore the use of the term ‘egregore’ as a tool for understanding change. A mature free economy requires a strong state to balance deregulation for economic growth with regulation for the public good, necessitating improved policy capacity and good governance. It also needs public administrations staffed with competent, honest officials skilled in the art of statehood. The story of the financial crisis, and how we got there, conveys how to avoid future dangers.

Introduction: reform and its context
An old Sark story allegorically demonstrates the perils of mapping reform:

An Englishman was travelling to Sark by boat. He remarked to the captain, a native of the island, ‘I suppose you know where all the rocks are?’

‘No Sir’, replied the Captain.

‘Do you mean to tell me that you are in charge of this boat and yet do not know where all the rocks are?’ asked the incredulous passenger.

‘That’s right, Sir. I don’t know where all the rocks are, but I knows where they ain’t!’ (Massey, 2005, p. 1.)

We often interpret our world through stories. This is as true of public administration and business as it is of other parts of our life (Bevir & Rhodes, 2006). In order to map where we are going, we first need to recognize how we arrived at the situation we are in. But public administration suffers from a debilitating condition; for academics engaged in its study and also in studying political science, art, sociology, literature and history, it is an activity that most intelligent people believe they could do if they were so minded (Smith, 1985, p. 5). Indeed, to investigate these issues risks being accused of being an historian or a journalist (both fine occupations), but not a natural scientist in the STEM sense of that word. Those engaged in the arts, humanities and much social science, therefore, risk alienating the audience of professionals by ‘what they might regard as a flow of banalities or elementary errors or a mixture of the two’ (ibid). Yet it remains essential to locate our current understanding of reform in the context, not just of quantitative analysis, big data and recondite statistical modelling, but also history, culture, and politics. A solely positivist, empiricist approach risks missing some essential drivers of reform (see, for example, Giddens, 1993; Pollitt, 2010).

This paper explores just some aspects of the constant reform of government. As a minor case study, it also surveys some mainly UK governance reforms 10 years after the global financial crisis. It does not seek to fully address the crisis itself in detail beyond a basic examination. It does attempt to place wider public management reform within its historical context of deregulation, as a result of the implementation of a set of reforms, that in common academic currency have long been referred to as New Public Management (NPM), now largely supplanted in the literature as Public Value (PV) (Alford and O’Flynn, 2009) or New Public Governance (NPG) (Osborne, 2009). This should be viewed as a ‘tool kit’ of institutional and procedural measures set within the ideological context of modern liberalism. The intellectual dynamic originated in ‘schools of thought’, known variously as Public Choice and the Austrian and/or Chicago schools (with a hint of Virginia courtesy of James Buchanan) (Denham, 1996). Clearly the emergence of the notion of governance by way of explaining the reinvented ‘night watchman’ role of government in a contract-based economy is one aspect of understanding what occurred and is addressed in this paper from a new perspective (Dodds, 2013).

Reform and politics as a story
The stories we use to make sense of the world may be in the form of models, maps and metaphors. Take, for
example, the map of the London underground. Designed by Harry Beck as a schematic diagram (a story) in 1931, it has served as the pattern for metro maps in the world subsequently. It is not an accurate map at all; it is, as Parsons points out, a greatly simplified diagram that disallows information about distance, the true route or depth of the lines (1996). But, through removing most of the data, Beck’s map and all those that are modelled on it allow millions of people to make sense of the world’s metro systems and to understand their journey. Less information delivers more understanding. Likewise, not only do societies understand themselves and their political systems through stories and myths, especially those that hark back to an heroic past, but individuals often refuse to believe empirically-derived facts and data that complicate and contradict their view of the world, their false understanding of their own consciousness, which allows them to chart their way through life.

Neuroscientists and political scientists have investigated this and monitored not only how individuals deny data that contradict their beliefs, they will actually believe untrue or false data. Furthermore, this belief system is structured and reinforced by peer groups and wider societal mores. Research using cognitive experiments on individuals and groups and supported with MRI scans of human brains during the decision-making procedure help us to understand the process. De Martino, Bobadilla-Suarez, Nouguchi, Sharot, and Love (2017) noted: ‘our work suggests that the update of value and confidence in response to social information involves an integration mechanism analogous to that used in perceptual decision-making’.

In other words, people make mistakes in terms of what they believe and, as sociologists have long argued, there is a social construction to reality. One of the team of neuroscientists, Sharot, in further work noted a link with the incorrect premise of MMR vaccinations triggering autism, a false causality that was widely believed in the US and UK and was repeated by Donald Trump when he was a candidate for the Republican nomination. In a debate with Ben Carson, who argued using empirical evidence against this link, Trump simply told a story conveyed to him by an acquaintance; of a small boy being inoculated with a large syringe against MMR who then developed autism. Objective evidence would not sway those who shared Mr Trump’s opinion and political stance. Sharot (2017) argued that:

…perhaps instead of treating the brain as if it is a perfectly rational machine and trying to fight human biases, which have emerged over millions of years of evolution, we need to go along with those biases to make a change.

Flynn et al.’s work similarly explored the problems experienced by policy-makers in attempting to correct misunderstandings and misperceptions caused by lack of knowledge and false information, noting: ‘misperceptions often continue to influence policy debates after they have been debunked’ (2017). This occurs in areas as diverse as the MMR vaccine issue, weapons of mass destruction, immigration policy, climate change and sustainability and it occurs across the political spectrum. Conservatives, liberals and socialists are all credulous of falsehoods and incredulous of data with which they and their peers disagree. Sharot’s observation, therefore, suggests another way to comprehend misapprehensions (also Stevens, 2011).

There are various labels that different disciplines have used to try and describe the process leading to widely held (right and wrong) perceptions; ‘group-think’ from psychology, ‘paradigms’ from science and social science; ‘silo mentality’ and so on. These are all, or are informed by, ideologies. The stories we tell reflect our perspective; one individual’s heroic myth is another’s tale of colonialism or terror. To understand this, it is perhaps useful to briefly acknowledge and then immediately vary the word ‘meme’, coined by Dawkins (1976) to explain the spread and coverage of ideas and social experiences. We note how this has been misused in some cases over the years and of the criticism it has sometimes aroused. What we see with the idiosyncratic use of stories, myths and paradigms, however, goes beyond a meme and mimetic isomorphism and is in fact a kind of ‘egregore’—a psychological entity that is constituted by and influences the thought process and understanding of groups of people. It can be in private sector businesses and public sector management. It may be influenced by ideologies, but it also influences the way in which ideologies are operationalized and may be transferred across sectors and groups and institutions. If we think of NPM and PV as egregores containing the perspectives and myths of a particular approach to governance (public and private) it may assist our understanding of why reform occurred in the way that it did. Such an egregore not only structures our approach to issues, it conditions our understanding of them and is intolerant of dissent. Indeed, it does not recognize different world views; the world is either flat, or it is flat! If institutions and individuals operate with an ideologically liberal-structured egregore (even if nominally attached to other ideologies), then this is something akin to ‘liberal authoritarianism’; a phrase borrowed from Fong (2016) applied to Hong Kong, but which has wider currency. It permeates globally, as Chan notes, Chinese government research into public administration can be defined on occasion as ‘100 new think tanks, one school of thought’ (2017). It can lead to policy-makers making strange decisions and officials behaving in inexplicable ways. We
observe this now with the short case study of the financial crash.

Financial crash revisited: how and why did it happen and what was the result?

The crash of 2007/08 was caused by intelligent people doing stupid things. Much of the blame lies squarely with the US Clinton and UK Blair/Brown administrations. The dismantling of the regulatory safeguards erected in the US and UK after the Great Depression sought to liberalize those economies. It directly led to the bad practice that resulted in financial chaos. In order to maintain their own profits, financial institutions globally emulated the diminution of regulation and oversight implemented by Clinton and Blair. It was a misreading of liberal theory and neglected the need to ensure there was a regulated functioning market, not one appropriated for the interests of the few (Williamson, 1985). The initial chronology of the financial crisis is stark (the following is from Guillen, 2015):

- **February to June 2007:** HSBC incurred losses linked to US subprime mortgages. New Century Financial, which specialized in subprime mortgages, filed for Chapter 11 bankruptcy protection and cut half of its workforce. Two Bear Stearns-run hedge funds suffered large losses and dumped assets. This transferred the trouble to major Wall Street firms, Merrill Lynch, JPMorgan Chase, Citigroup and Goldman Sachs, which had loaned money to the two hedge funds.

- **August to December 2007:** Investment bank BNP Paribas prevents investors taking their own money out as the market lost liquidity. This spread to Europe and then the rest of the globe. German Sachsen Landesbank faced collapse after investing in the subprime market. Depositors withdrew £1 billion from Northern Rock—the biggest run on a British bank for more than a century. The Swiss bank, UBS, announced losses from subprime-related investments. The central banks struggled to make more funding available.

- **January to April 2008:** The US Fed cut rates to 3.5%—its biggest cut in 25 years. The British government nationalized Northern Rock. Bear Stearns was bought by JPMorgan Chase in a deal forced by the US government. The Bank of England announced a £50 billion plan for credit-squeezed banks, allowing them to swap mortgage debts for secure government bonds. The Royal Bank of Scotland announced a plan to raise money from its shareholders with a £12 billion rights issue (the biggest in UK corporate history) and also announced a write-down of £5.9 billion on the value of its investments between April and June 2008, the largest ever write-off by a British bank.

- **July to September 2008:** American federal regulators seized IndyMac Bank after the pressure of tighter credit, tumbling house prices and rising foreclosures. UK house prices fell by 10.5% in a year. The UK’s Bradford & Bingley was nationalized after posting large losses. The US government seized Fannie Mae and Freddie Mac. Lehman Brothers filed for bankruptcy and dismissed thousands of its employees; it was the largest bankruptcy filing in the history of the US. Shares in European and Russian stock exchanges plunged. The UK government leveraged the merger of the Nationwide with the Derbyshire and Cheshire building societies. HBOS was taken over. Central banks around the globe injected $180 billion into the international banking system in a concerted effort to end the crisis. Ireland became the first state in the Eurozone to fall into recession. America’s biggest savings-and-loan company, Washington Mutual, was seized by federal regulators and sold to JPMorgan Chase for $1.9 billion. The credit crunch hit Europe’s banking sector; Fortis was partly nationalized because it was seen as too big a European bank to be allowed to fail—The Netherlands, Belgium and Luxembourg injected 11.2 billion euro into it.

- **October to December 2008:** The FTSE saw its largest one-day points fall. Germany had to save one of its biggest banks. A global rout accelerated in Asia: Japan’s Nikkei index fell almost 10%. Singapore went into recession. The British government pumped £37 billion of emergency recapitalization into the Royal Bank of Scotland, HBOS and Lloyds TSB. The 15 members of the Eurozone unveiled coordinated plans along British lines to provide their banks with capital funding. An international summit in Washington began to reinvent the international financial system. Leaders agreed to co-operate with respect to the global financial crisis and issued a statement regarding immediate and medium term goals and actions considered necessary to support and reform the international economy. Japan entered into a recession.

- **January to June 2009:** The Bank of England cut interest rates to 1.5%—the lowest level in its 323-year history. A severe economic slowdown in China occurred. Greece became the country with the lowest credit rating in the world.

It was as if all the lessons of the Great Depression regarding the importance of a properly functioning public administration system had been forgotten. To look at this temporal as well as situational context is a useful reminder of the lessons of path dependency and the implications for governance (Pollitt, 2008).
With the obvious exception of Marxism, the debate in Britain, and the US since the late 18th century, has been about setting the boundaries between the public and private sectors and deciding how the public sector is to be organized and the private sector regulated. It was this that the Public Choice theorists (and NPM) had in mind. Within that debate there are very real differences between countries. This is reflected in the US at its more extreme in the rhetoric of the Tea Party and its calls for ‘less government’ (Skocpol & Williamson, 2012). The founding myth told here is of a free people escaping a tyranny of government. But the work of Drechsler, for example, explores these differences in more detail. He traces the three broad paradigms of governance and administration; Chinese, Western and Islamic (2013). Although disavowing the currency of NPM, Drechsler’s analysis does explore the way such governance models can lead to (what in this paper is referred to as) an ‘egregore’, whilst admitting to greater or lesser debate within the model overall.

By accepting the liberal-structured financial policies of the previous Conservative governments, the Blair/ Brown administrations expanded the NPM tool kit of public–private partnerships (PPPs), private finance initiatives (PFIs) and privatizations (Thomas, 2001, pp. 54–59). In order to appeal to the City of London, the then Chancellor of the Exchequer, Gordon Brown’s earliest foray into deregulation was to give the Bank of England operational independence in setting interest rates and oversee monetary policy without direct Treasury control; setting the scene for the liberalization to come (Massey & Pyper, 2005, pp. 115–125). City liberalization has to be set into its context of a continuation of the Conservatives’ policy of liberalization and NPM. The flagship policy was privatization, which had largely run its course by the time the Blair/ Brown administrations came to power in 1997. Between 1979 and 2001, 114 companies had been privatized with a total value of over £61 billion (2001 values) (Flynn, 2007, pp. 252–269). A regulatory regime was established by the privatizing statutes. The Financial Services Authority (FSA) was largely modelled on these regulators. OFGEM and the FSA are examples of the fashion for amalgamating regulators during this period, partly in a flawed attempt to prevent agency capture. A number of the regulators, including the FSA, either failed to act in any way other than in the interests of those they were established to regulate, or simply lacked the capacity and competence to do so. It became a question of governance as to how best to regulate various industries, especially the finance industry. But because of the ‘egregore’ there was no alternative pattern for political parties to adopt that significantly varied from that of their predecessors.

The term ‘governance’ has several interpretations; here it is argued that governing is the ‘totality of interactions, in which public as well as private actors participate, aimed at solving societal problems or creating societal opportunities’ with specialist institutions often being created for this purpose (Kooiman, 2003, p. 4). Governance represents the inclusion of civil society and the economic, professional and social interest groups into consideration of what it means to govern and to make and implement public policy. Such inclusion, however, is neither comprehensive nor on an equal basis amongst the various actors in the network (Anyang’Nyong’O, 2002). Some groups and networks, such as finance, are exclusive and dominant and it is these that civil society struggles to hold to account.

This analysis views the state as being transformed into an enabling state whereby the role of government is to ‘create the conditions in which other organisations, most notably those located in the private sector, can prosper’ (Richards & Smith, 2002, p. 20). The story told here is of heroic entrepreneurs creating jobs and wealth. This perspective recognizes the expansion and strengthening of the private sector, especially those NGOs and transnational corporations that perform a role in the delivery of previously government-owned and run services. Government and governance should thus be viewed as being multi-levelled. Governance within the NPM model views citizens as consumers of services and seeks to devolve power within the framework of consumerist structured institutions. The story is that of the myth of people as largely economic entities, of society as a collection of individuals and not as a series of institutions created by communities for their protection and the delivery of services. That is, it is a partial story. The acceptance and then expansion of NPM under the Blair/Brown governments demonstrated a genuine adherence to the economic, if not social, policies of the previous governments and led to PFI and PPP contracts that became ‘grossly over-expensive and an immediate charge on the public purse when they failed’ (Smith, 2018). It also led, in the US and UK, to financial collapse.

Reform and recovery?

The de facto nationalization of failing banks may appear at first glance to challenge the neo-liberal paradigm—it is a flexible reflex action that has led to policy and regulatory review. Re-regulation along the lines of the 1933 Glass-Steagall Act in the US began to creep in (Bank of England, 2017). Given the recommendations of the Vickers Report (2011) and the continuing malfeasance of the banks (for example Barclays and RBS over the LIBOR scandal), this appeared inevitable, a reversion to a more
regulated and safety-conscious style developed. But it takes into account the political context of a liberal noninterventionist approach to the City in order to protect its privilege and ability to generate large amounts of (taxable) profit. The US Glass-Steagall Act, the Banking Act of 1933, sought to limit the kind of damage a financial calamity in the banking system could cause throughout the economy and was a response to the earlier crisis within the banking system that led to the Great Depression (Stiglitz, 2009). Glass-Steagall’s most far-reaching impact was to statutorily separate commercial and investment banking and regulate speculative banking, outlawing formal attachments between banks and securities firms; it kept banks limited in size. Its repeal in 1999 ‘created ever larger banks that were too big to be allowed to fail’, a comprehension of this phenomenon and the power it gave them in terms of a lack of the need to deliver redress for any wrong they may commit, as acted for the bankers to engage in ‘excessive risk-taking’ after years of deregulation by successive administrations (Stiglitz, 2010, p. 15; Blinder, 2013). In the US and UK, this has been addressed with a return to the ring-fencing of consumer and investment and international banking (Bank of England, 2017) and central banks in the US, EU and UK have been re-equipped with a range of intrusive regulatory and oversight functions, similar to those they possessed prior to the deregulation of the 1990s.

Journalistic accounts refer to the ‘mugging’ of Main Street by Wall Street (Scheer, 2010), but economists and policy-makers, such as Stiglitz, show it is a concatenation of external and internal events and the creeping loss of coherent oversight through banking deregulation and the ‘bond bubble’ (Blinder, 2013) that were responsible for the Great Recession, as Stiglitz dubs it (2009). It was an approach that was structured through the wholesale adoption of NPM techniques in the US and the UK by all the major political parties (Pollitt, 1990). It is clear that lobbyists in the US pressed hard for the removal of layers of regulation and the removal of the prohibition on linking commercial and investment banking—this led to the Gramm-Leach-Bliley Act in the US (1999) repealing these provisions and their role as the financial guardians of ordinary citizens (Stiglitz, 2010, pp. 162–163). Similar liberalization took place in the UK and to a lesser extent in other EU countries (Kickert, 2012a, 2012b, 2012c; 2013a, 2013b). This perspective is pursued by observers who argue that the steady liberalization of the US economy from the Carter administration onwards, represents a move away from a more equal society to one where the ‘winner takes all’ (Hacker and Pierson, 2011). The close links between the London and New York markets (with some bankers having desks in both simultaneously) led to a mimetic isomorphic series of reforms in the UK. The impact of deregulation in favour of privileged financial elites was a major contributor to the crisis (Kickert, 2012a). In the US and UK, the crisis was made worse as a result of the ‘financialization’ of the economy (Kripper, 2012) and its overdependence on the banking and broader finance industries. This, in turn, placed in jeopardy many of the welfare expenditures dependent upon tax revenue from these sources and therefore threatened public service delivery (Kickert, 2012a, b, c). But it is clear that the crisis did not assault all countries equally; Hindmoor explores, using grid and group theory, the impact of the crisis and its origins, observing that Australia was not affected (2010). His analysis demonstrates the need to recognize that different perspectives and different cultural contexts deliver quite strikingly different explanations as to why things went wrong. Australia’s escape begs the question, why were they not afflicted in the same way, given Australian attachment to NPM (Edwards et al., 2012)? The answer is they eschewed reliance on finance to drive the economy. Politicians were therefore able to look at other countries and draw the conclusion it was not NPM that was at fault, but the way one sector of the economy was privileged over others. This allowed the reintroduction of regulations and oversight, but with a PV framework (see, for example, Randma-Liiv & Kickert, 2017).

The reforms introduced to address the crisis and its causes may be viewed as a continuing part of the NPM/ PV model, but one that has recognized the limitations to the way in which the previous governments have implemented it. For example, the UK Coalition government’s 2012 white paper on financial regulation argues:

The crisis revealed fundamental flaws in our regulatory system, and in the structure of our banking sector. Regulators failed to spot the enormous imbalances building up and proved incapable of dealing with the crisis when it first broke. Huge global banks turned out to be ‘too big to fail’ and as a result British taxpayers were forced to pump billions of pounds into the banking sector in order to prevent a financial meltdown. Consequently, reform of the financial sector has been one of this government’s key priorities since taking office in May 2010 (HM Treasury, 2012, p. 3).

There is no mention here, or throughout the white paper, of a move away from a liberal market-based approach but there is a recognition of the need to resurrect some of the old safeguards previously employed in order to ensure the market functions more effectively and in a less unpredictable way. Therefore, although some observers have argued the ‘death’ of NPM has occurred (Dunleavy, Margetts, Bastow, & Tinkler, 2005), the Public Choice/NPM
approach continues to dominate official methods to public sector reform, even after the crisis has passed. NPM then represents a meme; indeed, more an egregore producing mimetic isomorphism in the guise of policy learning and transfer taking place. But with the rise of the egregore came a challenge in the form both of neo-Marxist populism and also conservative nationalistic populism in much of Europe, Russia and the US.

It is not as if the calamity was unpredictable. Nigel Lawson’s 1992 autobiography expressed concerns with the evolving nature of deregulation, something that in office he had sought to steer through (Keegan, 2009). Keegan noted that even as committed a liberalizer as Lawson, who was in:

... the vanguard of the deregulators ... concluded that ‘a financially deregulated economy, while more efficient and dynamic, is also probably less stable, by virtue of an amplified credit cycle’. Even Lawson was cautious about the reform of the building societies: ‘I was unwilling to go the whole hog. Under the new Act, they still had to raise the bulk of their funds from retail deposits and put most of their assets into straightforward home mortgages’ (Keegan, 2009).

In the wake of the crisis, Lawson advocated the revival of much of the old-style oversight, indeed (as noted above) the very legislation, which had controlled the banks and other financial institutions (Keegan, 2009). The second edition of Lawson’s memoirs (2010) is even more forthright, advocating a much greater role for the state in commanding better behaviour from the finance industry. The complexity of a deregulated financial sector, alongside the increased internationalization and marketization of much of the economy has been likened to governments sitting in a room and slowly turning down the spotlight of regulation using a dimmer switch; everything is still there, but the view becomes opaque—a mist behind which malefiance flourish (Emmons, 2000).

In the UK, during the Major, then Blair/ Brown administrations, the effective regulatory dimmer was slowly wound down through a series of NPM inspired turns (see, for example, Aldritt, Masters, Gerritsen, & Kippin, 2009). In 1997, the Securities and Investment Board was replaced by the FSA that in 1998 assumed the oversight responsibilities of the Bank of England and nine regulatory bodies; in 2000 it also assumed the London Stock Exchange’s Listing Authority Role. This slackening of the traditional oversight by the Bank of England, hiving it off to an executive non-departmental public body (the NPM-inspired agenciﬁcation Dunleavy et al. (2005) discuss) was combined with the FSA’s ofﬁcials seeming to lack the experience and expertise of the Bank. When this was combined with the deregulation in the City and Wall Street, bank mergers, the accumulation of retail and personal debt, real estate inﬂation and mortgages not backed by real value; ‘fool’s gold’ in the form of complex derivatives which effectively laundered bad debt and less than honest trading, it all came together in the form of the recession in the UK and US. A tempest ensued that caused the global economy to wobble (Stiglitz, 2010, pp. 5–65; Hayes, 2012, pp. 75–89).

Blame and opprobrium has generally been heaped upon the bankers. But what it really demonstrated is the failure of political leadership. It may be argued that, in the US and UK at least, the NPM egregore of a political élite blinded them to the potential consequences of their own actions until the crisis hit. That same egregore then ensured that the tools used to address the crisis were drawn from the same NPM tool kit. In his review and analysis of the impact of early ‘Thatcherism’, Andrew Gamble (1984) had demonstrated that a free economy and liberalism required a ‘strong state’, including the enforcement of the law of contract, strong regulation and the active participation of state authorities to prevent the subjugation of the market to sectional interests. The financial crisis demonstrated that the political leadership in the US and UK connived with the interests of the financial services to liberalize the industry, but failed to ensure the continuance of the strong state (Haynes, 2012, pp. 84–88). After deregulating, they then failed to observe the build up to the crisis, partly due to the impact of successful financial lobbying (Blinder, 2013).

In London and New York, the intelligent and proﬁt-driven young bankers knew more about their job than those now in place to regulate and oversee them. Without the proper constraints and knowledgeable regulators, there was no barrier in place to prevent the crisis. The politicians delivered an initially free market, but one that was speedily dominated by the interests of the financial oligarchy acting in its own interests, not those of society at large.

Policy change or plus ça change?

By 2008, the FSA admitted its handling of the latter was ‘unacceptable’ (Krouse, 2011). Despite being given increased powers under the Finance Bill 2008, the FSA was politically wounded beyond redemption. In 2011, Chancellor Osborne announced its replacement with various oversight units located back within the Bank of England, restoring the latter’s previous role as the UK’s financial guardian. We can observe here the experience of his new ministerial team that included at least one former highly successful banker (Sajid Javid) who had been critical of the retreat from proper oversight in London and New York, while broadly supportive of the NPM approach (Javid,
The policy details were contained in the 2012 white paper and Financial Services Act (House of Lords, 2012; Treasury, 2012). By accepting the recommendations of the Vickers Report (2011), the government committed itself to consider a British version of the Glass-Steagall Act; separating banks’ investment and commercial activities.

Reform?
Under Brown’s premiership, attempts at reform of the governance system in the UK sought to address these issues and those regarding the financial crisis, but without stepping outside of the current NPM model. For example the Banking Bill that was introduced by Lord Myners into the House of Lords in December 2008 with the observation that:

The Government have stepped in on several occasions to protect the stability of the UK’s financial system—in the case of Northern Rock and Bradford & Bingley—using powers provided by the Banking (Special Provisions) Act. Today’s Bill is a central part of the Government’s package to strengthen the UK’s framework in this area. The Bill includes elements designed to: first, implement a special resolution regime to enable the authorities to deal effectively with a failed bank and reduce its impact on depositors, taxpayers and the wider economy; secondly, enhance consumer confidence and strengthen consumer protection; thirdly, strengthen the authorities’ institutional arrangements, primarily through enhancing the Bank of England’s role in financial stability; and, finally, implement measures to reduce the likelihood of individual bank failure (House of Lords, Hansard, 16 December 2008, cols 756-757).

This is classic NPM joining with the regulatory state and it was superseded by the coalition government’s 2012 Bill, which sets out to establish:

…a strong and expert macro-prudential authority, the Financial Policy Committee (FPC) within the Bank of England to monitor and respond to systemic risks; responsibility for micro-prudential regulation of firms that manage complex risks on their balance sheets to a focused new regulator, the Prudential Regulation Authority (PRA), established as a subsidiary of the Bank of England; and providing for a focused new conduct of business regulator, the Financial Conduct Authority (FCA), to ensure that business across financial services and markets is conducted in a way that advances the interests of all users and participants (HM Treasury, 2012, pp. 6–7).

In other words, the FSA’s activities were put back into a rearmed and refocused Bank of England, from whence they were taken.

It reflects the Vickers’ recommendations, of which there are many, but the main ones may be summarized as:

1) Establishing a clear separation between retail banks and the rest of their operations.
2) Retail banks alone are to be allowed to obtain permission to provide certain services associated with retail and commercial operations in the UK; and
3) … be permitted to provide limited credit services such as lending to individuals and small and medium-sized organizations, providing trade finance and project finance and advising on and selling products from non-ring-fenced banks which do not give rise to exposures for the ring-fenced bank;
4) … cannot structure, arrange or execute derivatives transactions (as agent or principal), engage in proprietary trading, originate, trade, lend or make markets in securities, underwrite the sale of debt or equity securities;
5) … only engage in transactions with other entities within the ring-fenced bank’s group on a commercial and arm’s-length basis (Vickers Report, 2011).

These are substantial measures and have largely been implemented between 2012 and 2018 (Bank of England, 2017).

Although the UK response under Brown initially concurred with policies adopted by the EU, the British government was not comfortable with the growing extent of the EU’s initiatives (EC, 2012). It is essential to remember the EU is not monolithic, but riven by competition and compromise between its members, as the recent work by Wille makes clear (2013). The EU divulged plans to ‘create a banking super-watchdog and give it power to overrule countries’ (Reuters, 10 September 2009). While there were similar motivations to address the crisis, the UK government reacted coolly to the Brussels initiative, preferring to retain sovereignty over the UK’s financial sector (Massey, 2010, pp. 64–75). In a sense, though, this EU initiative also accorded with the preference expressed by leading economic observers, many of whom called for a strengthening of the powers of audit and intervention of the global governance generally and specifically over structures such as the EU, the World Bank and the IMF (Demos, 2008). Much of what has occurred since has been superseded by the Brexit decisions and are not the focus here.

Conclusion
The long-term implications for UK governance as a result of the financial crisis, arriving as it did alongside a more general crisis in the public’s confidence in the political elite, is the requirement to rebuild trust: trust in the system and trust in the individuals who operate it. Given the political system
in the UK is now one of a differentiated polity set within a system of multi-level governance (Rhodes et al., 2003), the rebuilding of trust will need to involve the institutions of civic society as well as the organizations that comprise public administration in its broadest sense, coupled with a firm appreciation of the associated significance of professional confidence and competence. It is questionable whether NPM approaches are able to perform this function. Economic bubbles always burst and, when they do, the inquisition as to cause and result generally seeks institutional reform of some kind. The institutions we construct reflect our aims and our goals as a society. The move from welfarist hierarchies and bureaucracies to a more individual, consumerist market led society illustrated the benefits of economic and technological development, as well as the limits to bureaucracy.

But with that came a price to be paid in terms of short-termism, rather than strategic planning and structures to ensure the greater needs of society. A return to a more interventionist approach to regulation, a prescriptive public policy with regard to what the private sector may or may not do, does not represent a disavowal of liberalism and NPM. It is a mature reflection that a free economy requires a strong state to balance between deregulation for economic growth with regulation for the public good, which requires improved policy capacity and good governance. It also requires public administrations staffed with competent, honest officials skilled in the art of statehood. The story of the financial crisis and how we got there tells us best how to avoid future dangers, but the egregore of persistent public management reforms demonstrated a preference for liberal authoritarianism.

**IMPACT**

This paper delivers a new way of understanding public sector management/public administration reforms. It uses the financial crisis and the way in which governments responded 10 years on, as a case study. It has impact for practitioners and academics in understanding how reform is driven and structured, and also how to try to avoid the errors that deregulation led to and caused such disruption to the financial system and governance generally. It seeks to build on the theory and understanding of policy practice and, to a lesser extent, policy learning.

**Notes on contributor**

*Andrew Massey is Editor of Public Money & Management and Professor of Public Administration, University of Exeter, UK.*

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