

# Public management in Sweden: Models and realities

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## PUBLIC MANAGEMENT IN SWEDEN: MODELS AND REALITIES

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The article concerns the problem of the continual expansion of the public sector in western societies. In Sweden the growth of costs public sector has expanded more than in any other country. This poses the question: how is the public sector to be managed?

The author analyzes the theme of public management from several perspectives: administration, resource allocation, decline of public administration, planning, quasi-private management, evaluation and disillusionment. These theoretical frameworks are used as the basis for an analysis of the situation present in the Swedish public sector. However, each of these are significant in the study of administration public in Finland.

**Key words:** Public management public administration.

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## 1. INTRODUCTION

The seminal process of public sector expansion in the advanced economies is over, the size of government reaching a steady state at a high level of total resources allocated in these societies. However, the basic problem remains to be solved: how is the public sector to be managed? When so vast resources are allocated by means of the government budget, then there is bound to be a search for models of public management. Proper decision processes have to be identified, implementation structures devised and the boundaries to the private sector delineated. Thus, we face the simple question: what is or what should public management be?

No other country expanded its government budget more than the Swedes, the public sector growing from 24 % after the Second World War to a high 68 % in the early eighties. The Swedish public sector acclaimed as the OECD model for the future relations between state and society has stabilized at a mature level of about 60 % of the total resources with roughly 50 % going to public consumption and investments and the other 50 % constituting transfer payments including a 10 % service on the huge state debt. Almost 40 % of all those employed work in the public sector. Whereas there was much certainty about the advantages of expanding budget allocation in relation to market allocation, there is now considerable hesitance about how the public organizations are to be managed: which model is the adequate one for managing such vast human and capital resources?

## 2. PUBLIC MANAGEMENT AS ADMINISTRATION

As long as the public sector was small there was close adherence to the traditional model of public administration as interpreted by Max Weber. Basically, the Weberian ideal type

characteristics were more or less firmly institutionalized in the Swedish government structure, the state and the local governments. Thus, the system of public law emphasized rules and the close adherence to procedures in the administrative processes. Public decision-making focussed on elements of the public sector identified as an *issue* that were to be handled in accordance with legally standardized procedures. Issues had a logic of their own constituting the administrative process: initiation, preparation, decision, implementation. The aim of the rigid rules was to guarantee legality and equal treatment under the law in the handling of issues.

The public employee was identified as a bureaucrat. The employment contract was based on the philosophy of public management as devotion to the public interest. The salary was low but the public employee had in reality tenure although he/she was forbidden to strike. There were clear rules of promotion mainly based on seniority and the tasks of the bureaucrat were defined on the basis of objective criteria mainly derived from the legal sciences. Public administration was hierarchical, responsibility resting with top management, as well as characterized by a high degree of division of labour limiting the activity of the various public employees to narrow functions (Lundquist, 1970).

The definition of the public employee was oriented towards the concepts of responsibility and duty. The so-called office duty applied to all public employees, in the state as well as in the local governments with a few minor exceptions (clerks, caretakers). It penalized the intentional or unintentional making of errors in public service:

If a public employee does not do what he/she is instructed to do by neglect, imprudence or unskilfulness, then he/she is to be fined or suspended because of breach of duty. If the error committed is grave he/she may be sentenced to removal from office or to prison for at most one year. (The penal code: 20: 4)

The office duty according to the penal code was complemented by a disciplinary responsibility practised internally at each public authority as well as by a fiscal liability for damages done when in public service. Not only was the making of errors in service penalized but also nuisance could result in warning, suspension, removal or a salary deduction by means of the disciplinary responsibility. The liability for damages resulting from errors in service rested with the public employee. Given the emphasis

on duty and responsibility the orientation to rules becomes a prime occupation in public management.

To administer a system of rules was easy as long as government was small. Within the public sector there was an elaborate system of rules governing the operations at the state authorities and within the local government sector. On the one hand the administrative system comprised general rule for the exercise of public authority and the handling of issues — put together in 1955 in the General Authority Law and in 1971 in the Administrative Law (Wennergren, 1987). On the other hand each public authority had a special document laid down for them which specified their functions and structure. The local governments — the municipalities and the county councils — were small and their operations could be guided by means of state instructions in the form of a general local government law and special legislation for the carrying out of functions commissioned by the national government, laws stating obligations for the local governments in return for state grants. Besides there were court rulings limiting their autonomy (Lindquist, 1987).

At the same time as public administration was structured in accordance with Weberian notions, the supposition was that bureaucracy would be mingled with political leadership recruited by means of representative democratic principles. The interrelationship between bureaucracy and democracy was to be handled by means of the traditional politics/administration separation providing political leadership with the task of formulating the decisions and the bureaucracy with the task of executing these (Page, 1985).

As long as government was small public management was defined as basically administration, the exercise of public authority in accordance with a fixed system of rules. The emphasis was on administrative action, formal decision-making and implementation according to established procedures. It all revolved around the concept of an administrative issue to be treated in a manner that maximized the goal of predictability and legal justice. However, once government started to grow with service functions becoming more important than administrative functions, the relevance of the model of public management as public administration came under strain. How is big government to be managed?

According to management theory the Weberian model suits an environment which is stable and a decision-making situation which involves clear ends and safe means (Thompson, 1967; Minzberg, 1979). These model assumptions no longer apply. Means-end chains in the welfare state do not satisfy the Weberian requirements. Big government means the allocation of vast resources in areas like education, health care, social care and infrastructure where it is not likely that there exist standardized procedures. Just as the discipline of public administration offered a single solution as to how to manage public power — the ideal type Weberian model of bureaucracy — the discipline of economics claimed that it had a unique solution to how large the public sector should be — the public finance model.

### 3. PUBLIC MANAGEMENT AS RESOURCE ALLOCATION

There are natural limits to public management according to the basic theory of the market. Economic theory predicts from efficiency considerations that the state will concentrate on the allocation of a special set of goods and services — the public goods. And the size of the state will be determined on the basis of welfare deliberations by means of looking at consumer preferences: the Wicksell unanimity rule or the Lindahl so-called tax prices. Just as the Weberian model of public management would lead to rationality in the management procedures, the public finance model would be conducive to a rational size of the public sector. Acknowledging the necessity of public

management — market failures in the face of externalities and economies of scale — there were natural restrictions on the size of the state to be derived from the concept of efficiency (Musgrave, 1959).

The seminal process of public sector expansion in the so-called capitalist countries made the public finance model obsolete. The concept of public goods has little explanatory power in relation to the budgetary activities of governments, national or local ones. Look at the present structure of the Swedish public sector (Table 1).

The classical public goods comprise indivisibles like law and order, defense and general administration. When government was small they made up almost one half of public consumption; nowadays they constitute small items in big government.

In the authoritative interpretation of the public finance tradition by Musgrave and Musgrave (1980) it is argued that public management is a rational complement to market allocation. Whatever else the budget comprises besides public goods refers to income redistribution which is a function of deliberations on justice. Public management is either public goods allocation based on given or revealed preferences or it is income redistribution changing the premises for the operation of the markets and budgets alike.

However, the addition of transfer items to public management does not save the model, because the distinction between efficiency and justice does not come handy in public management. Much of the public budget is both resource allocation and income redistribution and some of the public budget is neither. Govern-

*Table 1. Structure of the Public Sector 1913—1980.*

	1913	1926	1936	1946	1958	1970	1980
Administration	17	14	12	14	10	9	9
Justice, Defense and Police	10	7	7	6	6	7	5
Education	24	33	30	26	28	30	23
Health Care	13	15	17	20	22	26	28
Social Services	11	8	11	9	9	13	20
Housing, Culture Industrial Support	25	23	23	25	25	15	15
Total	100	100	100	100	100	100	100

Source: Statistics Sweden.

ments employ public management to provide each and every citizen with the same goods or services at the same cost not because that is efficient but because it is just. And several of the items in the budget concern goods and services which citizens do not demand or which have a reversed impact on the distribution of incomes — merit goods. The economic theory of public management may be as theoretically attractive as the Weberian ideal-type model of bureaucracy, but it is equally outdated.

#### 4. DECLINE OF PUBLIC ADMINISTRATION

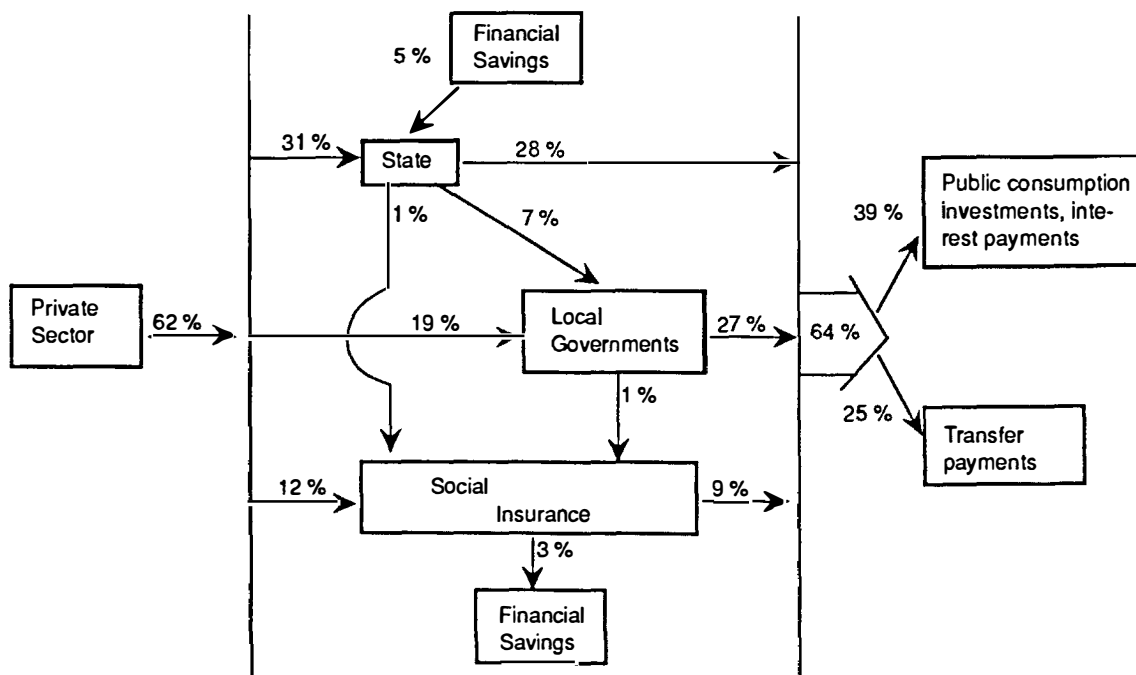
The traditional models of public management — the Weberian bureaucracy model and the public finance model — implies that government should be small and organized in accordance with clear rules that promote predictability and legality. But government is no longer small and big government cannot be operated in accordance with a rule oriented system of behaviour — traditional public administration. The administrative reforms of the post War period have taken the edge out of the traditional pub-

lic administration model as the instrument for handling the public sector. The public sector today is a highly complex system for allocating resources and it is embedded in a changing environment meaning that flexibility adds to complexity to make management a real problem (Diagram 1).

Not only is government big but its borders are not easily identified. Besides the standard budget operations at various levels of government — national, regional and local — there are substantial resources allocated by public bodies outside normal budgetary procedures. Not only are there publicly owned joint stock companies or public authorities paid for by means of charges, but considerable sums of money are allocated outside the state budget as well as by local government companies outside of normal budget-making. Nobody really knows how large the public sector is in Sweden.

The gist of the public sector reforms may be described by means of the distinction between *rules* and *goals*. Various attempts have been made to play down the importance of adherence to rules and underline the ends of public activities. Ask not what you may do but why it is done in the first place. Of importance is not

Diagram 1. Structure of the Swedish Public Sector in the mid 80's



whether a decision or an action is in accordance with some paragraph in some system of law, but what matters is the function that it promotes or the end served. Whereas rules used to be the characteristic medium for governing the public sector, they have been defined as narrow restrictions on the choice of technologies for the enhancement of goals. All the reforms — budgetary reform, legal reforms and decentralization — point in the same direction: public management is the fulfillment of goals that are vital for the welfare of the citizens, not the careful observation of procedures.

The transition from rule governance to goal governance manifested itself in the Swedish public sector firstly in budgetary procedures, the transformation of an itemized budget into a *program budget*. It took 13 years to make that transition in the state budget beginning in 1967 whereas the process was somewhat more rapid in local government budgeting starting in 1976. Ambitions were high, but practice confirmed very much the theoretical critique of rational tools for budget-making (Wildavsky, 1986). A lot of work went into the redescription of activities, yet the budgetary process stayed the same in its focus on real costs, not goals. The second stage in the strategy for innovation in the Swedish public sector was the resort to *framework legislation*. Some but far from all of the laws governing public sector activities were rewritten shortening the number of paragraphs as well as introducing the overall goals that were to be promoted. The most conspicuous example was the 1982 health care law which obligated the county councils to promote good health care on an equal basis for all citizens. Whereas the old law contained a number of behaviour rules for both the county councils and the employees, the framework law concentrated on goals that were hardly under any discussion.

The third stage complementing the introduction of program budgeting and framework legislation was the massive *decentralization* program which covered a number of activities:

- (1) relocation of authorities from the Stockholm area
- (2) transfer of activities from the state to the local governments
- (3) movement of decision authority downwards within the state
- (4) restructuring of the local governments in order to spread power to several decision bodies

- (5) strengthening the implementation stage
- (6) the introduction of private management techniques into public administration.

The fundamental reorientation of the governance of the Swedish public sector amounts to a *de facto* acknowledgement of the irrelevance of traditional public administration. Rules are to be handled by administrative personnel whereas goals are to be accomplished by professionals. This is the missing distinction in the Weberian model. Big government does not mean a high number of administrators, it implies a wide variety of professional groups that carry out their functions on the basis of professional expertise. They need to know what they are going to do, not how they are going to go about doing it, because the logic of operations is derived not from statute but from knowledge defined by means of professional criteria. The entrance into government service of large numbers of professionals especially on a scale like that in the rapid Swedish public sector growth making almost every other employee a public employee had a fundamental impact on the nature of a public servant, the status of public trade unions as well as the nature of managing public organizations. Public professionals are not bureaucrats, but the implications for public management are yet to be realized. All the rules for punishment for negligence or misbehaviour have been mellowed.

## 5. PUBLIC MANAGEMENT AS PLANNING

Big government means that professionals will have to be relied on in the provision of goods and services. What matters is less the careful observation of rules by administrators when handling issues, but the efficient production of goods and services. How is the public sector to be governed in an age of professional assertiveness? It has been suggested that planning is the solution. Thus, in the seventies public management turned into planning in Sweden. At all levels there was to be planning: local government planning at the bottom, regional planning at the intermediate level and national planning at the top — all kinds of planning would be both one-year and five-year planning. Great ambitions were displayed aiming at total planning of each sector of policy-making on a short-term as well as long-range basis, but performance was mixed, or not directly disap-

pointing. By means of comprehensive program planning the fundamental operations in the public sector would be defined to be implemented by professionals.

The theory of planning is based on the so-called Barone theorem. It argues that there are two fundamental allocation mechanisms, the budget of the Planning Ministry and the market of the private sector. And Barone's theorem claims that both mechanisms may fulfill the standard conditions for efficiency in resource allocation on the consumer side, the production side as well as total social efficiency meaning that marginal value equates marginal cost for the allocation of each and every good and service. However, the theorem is only theory. It lacks any institutional theory of how the general conditions of optimality are to be implemented by an existing planning system. And there is no existing planning system that could satisfy the conditions for the Barone solution. Planners do not possess the knowledge necessary for the specification of all the Barone equations relating resources to production opportunities and goods and services to needs. And planners or implementors do not have the motivation necessary to fulfill the conditions for the Barone model, because incentives are lacking in the planned economy.

To arrive at some workable planning system Swedish planning tried indicative planning on a large scale in order to predict more than to control future events. However, the environment of big government is much too turbulent for planning to work. The lesson was that planning is not the model with which to govern the public sector. Firstly, the errors in prediction were large and repetitive. Secondly, time and again day-to-day circumstances forced decision-makers to make exceptions from the plans enacted. Both kinds of deviations from the plan had the same impact on planning, bringing down the enthusiasm. In the eighties, there is less talk about planning than designing organizations that may camp on the see-saws when conditions or circumstances change.

The planning ambitions fitted well with the attempts at program budgeting and framework legislation. Planning, if at all possible, requires top heavy public authorities. However, it is more questionable whether planning as the general model for public management suits a system of decentralized organizations. Perhaps, then, if planning as a mechanism for resource allocation does not work, public man-

agement should be structured as quasi private management?

## 6. PUBLIC MANAGEMENT AS QUASI-PRIVATE MANAGEMENT

A demand for more of privatization has not met with any understanding from the political authorities who argue that welfare services should be allocated in an equal way to all citizens independently of their purchasing power. Let us mention the very few cases of true privatization.

In the eighties the private sector in the health care system has been strengthened as a result of a dissatisfaction with complexity, size and bureaucracy in the public sector. A demand for more of variety in health care provision as well as for a return to the old system of a more personal relationship between patients and practitioners has offset a number of attempts at privatization. These private ambitions include the establishment of small scale health care centres, more of private practitioners, the combination of both public and private service and the opening up of new private hospitals. Actually, the drive for privatization turned out to be as strong as to require public counteraction.

Private provision of health care services includes on the one hand a fairly substantial group of private practitioners operating by themselves and on the other a large number of small hospitals specializing in the delivery of long-term health care. The process of rapid expansion of the public provision of all kinds of health care narrowed the scope for private provision quite considerably. The development of the number of private practitioners appears from Table 2.

The importance of the private hospitals is marginal in a system where most health care is delivered at large public establishments: 8 regional hospitals, 20 county hospitals and 82 community hospitals. Besides, there has been a rapid build up of an extensive system of public health care centres where open care is provided. Yet, the figures give a somewhat biased picture. In the three large cities, Stockholm, Gothenburg and Malmö the activities of private practitioners are far from marginal as they provide roughly 20 % of all services.

In 1984 the Riksdag decided on the so-called »Dagmar-resolution» providing the country

Table 2. Number of Visits at Doctors (in millions).

Year	Public			Private	Total	
	At hospitals	Outside hospitals	Total		Public & private	Per person
1960	5.6	a)	a)	a)	15.3	2.0
1970	8.8	5.6	14.4	4.8	19.2	2.4
1973	9.3	6.3	15.7	4.3	20.0	2.5
1976	10.4	7.0	17.4	3.6	21.0	2.6
1977	10.7	7.4	18.1	3.4	21.5	2.6
1984	12.7	11.4	23.5	a)	a)	a)

Note: a) No statistics available.

councils with a virtual veto against all new ventures with private health care provision. The public authorities, mainly the National Insurance Board, control the size of the public sector in health care provision by means of its right to enter those private practitioners that apply to the insurance list meaning that their patients only pay about the same charge as those who visit open health care in the public system. As the private system could not survive without the support of the insurance system the decision in 1984 to provide the county councils with a veto possibility against the entry of a practitioner onto the insurance list means a real monopoly position for the county councils in reality controlling all kinds of provision, public as well as private. The outcome of the Dagmar agreement was to halt the privatization drive freezing the number of private practitioners to the already existing size of the private sector. When a county council considers that it needs a private supply of services it turns to the private sector. However, if they feel that the only reason for private provision is competition and not the supply of unavailable services, then the county councils flatly reject a private practitioner.

The drive for more of private supply has focussed on the activities of a large private company operating all over the country: *Praktikertjänst AB*. This private joint stock company runs 365 practices in 214 of the Swedish 285 municipalities. Out of 24 000 physicians all in all 2 000 physicians are in private service on a full time or part time basis where Praktikertjänst employs about 850. And out of 8 100 dentists 3 800 are in private service Praktikertjänst employing 2 000. Praktikertjänst is the largest private health care enterprise in Sweden employing some total 11 000 people — the county

councils responsible for public health care employ more than 400 000 people.

In 1983 Praktikertjänst opened up the first private emergency center: »City akuten» in Stockholm. It did attract considerable demand for health services and two similar units were opened in Gothenburg and Norrköping. However, the rapid success of these City emergence hospitals provoked a public reaction from the established health producers calling for more public control over the introduction of private hospitals. Yet, the resurgence of private health care adds to variety in the Swedish welfare state where the ideology emphasizing standardization and the idiom of equal services to equal costs is no longer as dominant as it used to be when the welfare state grew rapidly and steadily. The market values of consumer sovereignty, efficiency and productivity and variety in supply have been recognized also by the central and regional planning bodies in the predominantly public health care system.

The eighties have seen the opening up of private day care centers in a number of municipalities, in particular in the larger cities. The names of these centers are well-known in the public debate — »Pysslingen» in Nacka and »Lyckan» i Malmö — because they are controversial in a society where one has become used to the principle that welfare services not only should be provided by public authorities but also produced by a national or local monopoly. These new day care centres through run by a private principal are dependent on public support as the state gives them a grant along the same lines as the support for the municipal day care centres. In addition they may receive support from the municipality out of tax income. The consumer has to pay the same charge for private day care as for public day care services.

The public housing policy involves local government provision of flats, state subsidies to the construction of apartments and villas and state regulation of the rents. Whereas public intervention is minor in relation to the market for villas, it is quite extensive in relation to the provision of and pricing for apartments resulting in a chronic shortage of the supply of flats. During the eighties some municipalities have turned to the privatization option as one alternative to manage their share of the mounting costs for the public housing policy. As the provision of low cost housing has been considered as essential part of the Swedish welfare state, these attempts at privatization have caused wide attention, if not resistance. A number of municipalities have sold off apartments to private housing companies like the cities of Gothenburg and Malmö. However, it should be pointed out that the sales are marginal in relation to the total holdings of public housing. Controversial as this privatization is, it has been argued that it constitutes a method for financing badly needed improvements in the housing stock that remains with the municipalities. The money released in the sale of flats to private developers has also been used as a general resource improvement of the municipal budget. The gain to the private entrepreneur lies partly in the possibility for legal tax evasion that the possession of the high capital deficits in a public housing company opens up.

Although apartments constitute a substantial portion of the capital resources of the municipalities they manage a number of other capital assets. Whether in their own administration or in the form of local public companies, the municipalities are responsible for high capital investments in various kinds of infrastructure, buildings and machinery. As part of a general quest for more of efficiency and productivity in the public sector during the eighties the municipalities have begun to search for strategies to improve on their capital management. Public capital management has of tradition been mainly oriented towards legal rules protecting against embezzlement, speculation and diversion of funds from assigned functions. The value of their capital assets has of tradition not been decided by market prices and its use has not generally been tied to any user charges determined by market techniques. Several local governments have initiated new capital management strategies in order to make use of its capital assets according to their

market value. One such rather infamous technique is the sale and resale of capital to a private company. The municipality engages in tax planning by selling the capital and then renting it back from the private company according to an agreement which includes an option to buy the capital back after a number of years. The private company may use the capital investment for depreciation deductions lowering company state tax whereas the municipality in effect receives a loan from the private company at an interest that is lower than that of a bank loan. Such sales-lease-back operations have taken on a scale that provoked a negative reaction from the central authorities losing tax income. The future of such quasi-privatization is in jeopardy. A few municipalities have entered these financial agreements not only in relation to buildings and inventory but also with regard to entire infrastructure complexes like energy production units, refusal plants and entire harbours.

Public management in Sweden has of tradition meant that the central government and its agencies and boards have laid down a comprehensive legal framework defining what the local governments have to accomplish to meet the demand for health, education, social care, drinking water, waste disposal, energy and infrastructure. Most of the provision of infrastructure goods and welfare services is handled by the county councils and the municipalities, but should these local governments also be the actual providers of these goods and services? One alternative to local government production of goods and services is the employment of private contractors in accordance with a bidding process where market forces would be revealed. Although the provision is public the production would be private. Whereas the local governments have become more interested in privatization or quasi-privatization the use of contractors has not increased during the eighties.

Contracting as an alternative to self-production is resorted to more due to lack of personnel than out of ideological or political motives. Contracting is mainly employed in relation to technical services (Table 3).

The overall costs for contracting have not increased in the eighties, but they are by no means marginal in the municipal budget. Contracting costs amount to a 9 % share of the total operating budgets of the municipalities, with a high 14 % in small municipalities (less than



*Table 3. Size of Contracting in Various Services in 1985.*

Activities cost of the activity	In percentage of the total
Real estate maintenance	40 %
Refuse	40 %
Road maintenance	25 %
District heating	15 %
Water and sewage	15 %
Parks	5 %
Electricity	5 %
Tourism	15 %
Harbours for small boats	15 %
Athletics constructions	5 %
Play centers	3 %
School transports	80 %
School lunches	3 %
Construction	65 %

Source: National Swedish Association of Local Governments.

10 000 inhabitants) and a low 7.5 % in the cities (more than 200 000 inhabitants).

Thus, privatization will not likely constitute a viable alternative to improving public management. There will be more of private entrepreneurship in the public sector, but public management will have to find its own proper model somewhere else than in private management, but where?

## 7. PUBLIC MANAGEMENT AS DISILLUSIONMENT

Before one starts to outline a model of public management that would fit the realities of big government in an uncertain environment it is necessary to raise a more fundamental question: is adequate public management at all feasible? Recent findings in policy studies and implementation analysis as well as in organizational theory imply that goals are systematically ambiguous and means inherently unreliable in the governance of public organizations (March & Olsen, 1976; Pressman & Wildavsky, 1984; Hogwood & Peters, 1985). It has been argued by Swedish analysts of the public sector that the extreme garbage can model describes the realities of big government in Sweden well (Wallenberg, 1986).

Policy studies have shown that the typical Swedish reform strategy — comprehensive ra-

tional decision-making — does not work any longer (Wittrock & Lindström, 1984; Premfors, 1988; Lundquist, 1988). It is simply not possible to reach all the outcomes aimed at by means of large scale political decision-making. Public institutions have a life of their own which does not lend itself to grand scale reform. Adaptation has to come by means of other techniques than comprehensive political reform on the basis of large scale central investigations. Implementation steering has become more and more difficult (Lundquist, 1987). Comprehensive policy-making is not a viable model for public management in the Swedish public sector any longer. If the rational decision model is not an alternative, if not even the model of bounded rationality works, then maybe we have to conclude that public management in a large public sector implies that solutions look for problems, leadership is luck and participation fluid?

Although the occurrence of garbage can processes in decision-making and implementation constitutes a real treat in a large public sector as some Swedish central government authorities have experienced during the eighties, the irrational model is an undesirable one. The prospects for public management are not that gloomy. The gravest challenge to public management in Sweden comes, however, not from randomness or chaos but simply from a lack of productivity. In 1985 it was revealed that the largest public sector in the set of OECD countries suffered from a severe attack from the so-called Baumol's disease. Quite to the contrary in relation to the Swedish private sector productivity had developed negatively between 1960 and 1980. There was a strong tendency to a yearly negative productivity change for all sectors of state activity (Table 4).

This could perhaps be explained by the strong element of administrative action in these programs, administration being less amenable to technological innovation and cost saving schemes. However, the very same negative productivity development reappears in the data about the county councils and health care services (Table 5).

Even if one adds a large quality improvement factor to the measurement of output it still remains the case that most areas display a more rapid increase in input than in output. The identification of the Swedish Baumol's disease was a much stronger warning than the garbage can theme that something has to be done about

**Table 4. Development of Productivity within various State Sectors 1960—80 (Yearly Percentage Changes).**

	1960—65	1965—70	1970—75	1975—80	1960—80
Labour Market Administr.	-1,9	-7,4	-3,5	+1,9	-2,8
Housing	+5,0	-0,6	+6,6	+2,0	+3,2
Judicial System	-5,4	-0,9	+1,3	+2,8	-0,6
Prisons	-5,6	-6,0	-11,0	+0,3	-5,6
Tax Sheriffs		-4,1	-4,9	+3,1	-2,0
Agricultural Administration	-5,0	-1,6	+0,6	+1,1	-1,3
Land Surveying	-4,0	+0,3	-2,9	+2,5	-1,1
Police		-1,8	-6,2	+3,6	-1,5
Insurance	-1,0	-2,6	-4,8	-0,2	-2,4
Tax Authorities	-2,9	-7,1	-6,4	+5,1	-2,9
Customs	+5,0	+5,2	-4,3	+4,1	+2,4
Wether	-3,1	+4,2	-3,7	+4,7	+0,5
Licensing			4,3	-3,2	-3,7
Total	-2,0	-3,3	-5,2	+2,5	-2,0

Source: The Swedish Agency for Administrative Development, 1985: 110.

**Table 5. Development of Productivity in Public Health Care 1960—80 (Yearly Percentage Changes).**

	1960/65	1965/70	1970/75	1975/80	1960/80	1960/70	1970/80
Closed Somatic Care	-3,0	-1,9	-0,9	-0,8	-1,6	-2,3	-0,9
Open Care at Hospitals	-0,8	-0,6	-0,3	-0,3	-0,4	-0,7	-0,3
Long-term Treatment at Hospitals	-0,1	-0,3	-0,1	0,0	-0,1	-0,2	-0,1
Psychiatric Care	+0,9	-0,1	+0,5	-0,3	+0,2	+0,4	0,0
Care of Mutually Disabled	-0,5	-0,1	-0,2	-0,8	-0,4	-0,4	-0,5
Open Care outside of Hospitals	-0,3	-0,5	-0,1	-0,2	-0,3	-0,4	-0,1
Long-term Treatment outside Hospitals	-0,6	-0,4	-0,4	0,0	-0,4	-0,5	-0,2
Dental Care	-0,2	-0,1	+0,1	0,0	0,0	-0,1	+0,1
Total Productivity Change	-4,6	-4,0	-1,4	-2,4	-3,0	-4,2	-2,0

Source: Expert Group on Public Finance, 1985: 138.

public management. But if all the established models have failed — public administration, planning, comprehensive policymaking and implementation, market like mechanisms — then how is public management to be structured in a large public sector?

## 8. PUBLIC MANAGEMENT AS EVALUATION

It is often stated that government activities can only be measured in terms of costs. The value of the goods and services produced does not show up in the National Accounts, simply

because the demand for these goods and services is not revealed in standard prices. The willingness to pay shows up in the election process which does not indicate the marginal value of various goods and services very well. The so-called Lindahl prices are the taxes various groups are willing to for bundles of goods and services. Thus, marginal value for *each* good and service is not adequately revealed in budget-making. Yet, government provision is not only costs. Big government is not first and foremost administration or public goods, but the production of a number of divisible goods and

services. Public management has to see to that the production is effective and efficient. Let us quote the standard Etzioni definitions:

(1) The actual effectiveness of a specific organization is determined by the degree to which it realizes its goals. (2) The efficiency of an organization is measured by the amount of resources used to produce one unit of output. (Etzioni, 1963: 6)

How effectiveness and efficiency are to be handled in the public sector is the basic task for public management which is still an unresolved matter of dispute. Effectiveness and efficiency applies to both administration and service provision. How is there to be a mechanism installed in the public sector that promotes effectiveness and efficiency in administration and service production? Whereas the combination of prices and the profit motive is jointly conducive to effectiveness and efficiency in the private sector, no such mechanism has yet been devised in public management. There in lies the problem of a large sector for publicly provided goods and services.

Private sector efficiency is accomplished not primarily because organizations are private and not because they function in markets where prices are employed. The edge of the market over the public sector and budget-making stems from the strong institutionalization of competition. But competition is not necessarily tied to the private sector or market allocation. Competition follows from to compare and organizations may be compared within the public sector as well. Public management should be based on systems of *relative cost comparisons*.

A system of relative cost comparison may form the basis for systematic and continuous evaluations of the costs and performance records of public organizations. The new idea is that similar organizations should be compared by means of standardized indicators and that the outcome of the evaluation should be tied into the budgetary process punishing the high spenders and low performers as well as rewarding the high performers and low spenders. Such relative cost comparisons of organizations with a similar output — universities and colleges, county councils, local governments, regional state authorities — may cover efficiency in both the basic functions of public organizations: administration and service production.

All the data about the Swedish public sector indicates substantial cost variations between various similar public organizations when stan-

dardized measures are employed. These cost differentials are to be found both at the *macro* level and the *micro* level.

Thus, costs per capita vary from 11 000 Swedish kronor to 8 000 kronor for the overall cost for health care at the county councils at the macro level as well as from 10 000 kronor to 20 000 kronor at individual clinics at various hospitals using micro level data. Similarly, the costs per capita for the production of water and sewage systems varies enormously between various local government. Why? Different production conditions? Different service quality standards? Or inefficiency? Again, the administrative costs at universities and colleges may vary by a factor of 2 or 3. Evidently, those with large bureaucracies could learn from those with small sized administrative staffs how to improve on their operations by — comparisons. It is not enough to look back as in the productivity investigations, because efficiency will only come from an awareness of competition with other similar producers. And competition may be installed into the public sector without resorting to massive privatization, simply by finding out how organizations differ in their outputs and inputs and why.

The development of the overall public sector policy in Sweden may be interpreted as a movement from an *ex ante perspective* to an *ex post perspective*. At first the government stated that planning was the key to the adequate employment of the vast resources in the public sector. However, in the eighties the new overall public sector policy has stated that evaluation and performance measurement is the proper means to the enhancement of efficiency and productivity. Thus, decentralization is to be combined with three year budgetary frames and performance scanning. Yet, as important as this new developments are underlining outputs and outcomes in stead of inputs, as long as this *ex port perspective* is not tied to systematic cost and performance *comparisons* something crucial will be missing.

## 9. CONCLUSION

It is asked in the international literature: what is public management (Koiman & Eliassen, 1987; Metcalfe & Richards, 1987). If it is not public administration once again, or public goods provision in the economists' model, or planning, or private management of some hybrid

kind, then what is public management? Maybe public management is a nuisance as the modern criticism of the Weberian ideal-type model implies? Or perhaps public management is waste writ large as public choice models imply? In big government public management is bound to be tied to efficiency in both administration and service provision. And efficiency can only be promoted by the introduction of systems for relative costs comparisons. This is the missing element in public management, the continuous and systematic competition between similar organizations in terms of how they relate inputs to outputs.

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