

**“Hare in a Muddle?  
The Third Way, public sector reform  
and policy-making in Britain”**

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**CPA ESTUDIOS / *WORKING PAPERS***

**2/2003**

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## *In this issue:*

### **“The Hare in the Muddle: The Third Way, public sector reform and policy-making in Britain”**

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## *Abstract*

Much has been said about the 'revolutionary' changes that are said to have been introduced since the election of the Labour government under Tony Blair in 1997. This paper puts wider constitutional and policy sectors into the context of wider debates concerning policy-making in Britain. In particular, it considers whether policy reforms under Blair can be described as policy-making revealing 'hare' patterns or whether there has been a 'muddling through'. After considering the extent to which the real world of British government and politics has moved away from the characteristics of the 'Westminster model' and whether these constitutional reforms have shown evidence of policy-making ending in confusion, the paper discusses three specific cases of public sector reform policies. These suggest that one of the British 'diseases', the over-excited policy-making at the centre that is said to have led to poor policy-making outputs, remains at large in 'new' Labour's Britain!

An earlier version of this paper was presented at a seminar at the Department of Political Science of the UNED on 12 March 2003.

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‘It can only get better’, the title of the 1997 election anthem seemed to herald a new era in UK government under ‘New Labour’ and the premiership of Tony Blair. Following substantial internal programmatic and organisational change within the Labour Party that had followed Tony Blair’s rise to the party leadership in 1994, the massive electoral swing against the Conservatives seemed to suggest not only a party ready to reform the United Kingdom (UK)<sup>1</sup>, but also an electorate at large tired of Conservative ways. The British Labour Party seemed not only to have finally joined fellow Western European Social Democratic parties, it was leading their programmatic development with its talk about the ‘Third Way’ that stressed the importance of public sector ‘modernisation’. At the same time, the past three years have offered regular instalments of Britain coming to a halt, events that seemed to offer little support for the claim that Britain was a leading edge country.

Three incidents in particular were linked to public policy-making:

- Fuel protests in September 2000, where an alliance of truck drivers and farmers colluded in blocking petrol refinery access, therefore dwindling fuel supplies at petrol stations and bringing private traffic to a standstill (this crisis was dissolved by a reduction of announced tax increases on fuel and media management by the government).
- An outbreak of foot & mouth disease in February 2001 (peaking in April) led to a delayed, but massive response by the government, including the culling of millions of animals (many of which were not suspected to have contracted the virus), a huge subsidy programme for farmers and the destruction of much private tourist accommodation (that did not receive subsidy) (National Audit Office 2002a). Again, the government asked its population to ‘stay at home’.
- A railway accident in October 2001 (at Hatfield), the circumstances of which pointed to the failure of the privatised infrastructure operator to manage its assets and its

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<sup>1</sup> This paper focuses on Britain, thereby excluding Northern Ireland.

maintenance contractors properly. This led to a massive track replacement programme, the slowing down and partial-temporary closure of all railway traffic and the eventual financial collapse of the infrastructure operator. For nearly six months railway transport in Britain was facing major disturbances. The initial impact was further accentuated by storms and flooding.

These stories not only emerged in the context of a government encountering non-‘humdrum’ policy issues. For example, strikes by professional fire brigades in late 2002 and early 2003 led to the employment of the army on the UK’s streets (partly equipped with 1950s ‘Green Goddesses’ engines), leading to accusations that such army deployment exercises were hindering the Iraq ‘effort’. There were controversies within the Labour Party, the government itself and with trade unions about so-called public-private partnerships.<sup>2</sup> Reports by the National Audit Office suggested, for example, that the procurement of new army helicopters was defined by an absence of strategy, spare parts, and trained pilots (National Audit Office 2002b). Similarly, a ‘learning accounts’ vocational training programme, hailed in early 2001 as a major policy success, was quickly closed down in October 2001 among much evidence of massive fraud (National Audit Office 2002c). The re-awarding of the licence to run the national lottery (awarded to the incumbent in December 2000) was also characterised by drawn-out battles, the sacking of a regulator and high-level interventions by the minister (National Audit Office 2002d).

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<sup>2</sup> In January 2003, the Audit Commission published a report that suggested that these so-called private finance initiative projects had so far offered few of the predicted benefits from private sector involvement in public service provision (neither cost nor quality). However, the key criticism was poor standard setting and public purchasing skills and competence rather than the idea itself. Similarly, there were controversies about setting output or outcome goals for private providers (the initial contracts had favoured the former). More importantly, it highlighted that the key incentive of embracing this policy by ‘New Labour’ had been the removal of public spending from the balance sheets. (See Audit Commission, PFI in Schools, 16 January 2003).

This paper does not want to account for every policy embarrassment of the Blair government, let alone discuss overpriced wallpaper procurement by the then Lord Chancellor Lord Irvine or the deployment of life style gurus by the prime minister's wife. It also does not claim that things were much different under the Conservative government and talk about poor policy-making has been widespread before. Popular folk stories include the introduction of the 1991 Dangerous Dogs Act, the so-called Poll Tax of 1989/90 and the sorry saga of the UK's ERM membership. However, examples of public policy failure highlight some difficulties with the picture of a 'Third way' government that puts so much emphasis on modernising rather than reducing the public sector. Accordingly, this paper looks at some cases of public sector reform in order to understand whether there is any distinct meaning to 'third way' public sector modernisation à la Britain post-1997. More broadly, this paper seeks to enquire whether there is anything distinct about the observed patterns for the understanding of British public policy-making.

This paper proceeds in four steps. First, it makes a broad distinction between 'hare' and 'muddle' accounts of public policy-making in Britain. Second, it surveys, in brief, the broad public sector reform that were most prominent since 1997 and arguably have meant a fundamental challenge to the 'Westminster model' as defined (as an ideal type) by Arend Lijphart (1999: 9-30). Third, it introduces three case studies (target-setting, competency frameworks for senior civil servants and railway policy) to account for developments in specific areas of the public service. These two dimensions to some extent highlight particular reform issues specific to the UK, in other 'third way' countries (such as France and Germany), constitutional reform did not feature on reform agendas. Issues of public sector reform in terms of the civil service and network regulation featured prominently across European countries, suggesting an embrace of liberalised market policies (although with less enthusiasm in France, in Germany there had never

been a strong nationalisation tendency in the first place).<sup>3</sup> Uniquely, the British Labour government signalled its commitment to remain on a ‘steady’ policy path rather than be exposed to short-term pressures. The final section seeks to assess these patterns. Do the past six years of Labour rule signify a substantial change to the British public sector, in broad or more specific terms? And how does this experience fit with previous accounts of British policy-making? Arguably, the past six years have witnessed a ‘hare’ pattern in policy-making of an over-excitably centralist system that, however, has faced substantial barriers in delivery given the ‘ungrounded statist’ nature of British public policy.

### **Perspectives on British Policy-making**

This section points to various attempts to account for policy-making pattern in Britain. Policy-making in Britain has received substantial interest given the state’s relative decline since the Second World War vis-à-vis other European countries.<sup>4</sup> The literature broadly reflects on the ways in which political scientists have attempted to make sense of the malaise encountered by various governments. The various approaches can roughly be distinguished into ‘hare’ and ‘muddle’ accounts, with variations within these two broad categories. Each of them will be discussed in turn.<sup>5</sup>

‘Hare’ accounts suggest that the institutional structure of the British states concentrates decision-making authority in a majoritarian government and unified state that potentially concentrates power with the prime minister. As in the case of the hare in Aesop’s fable, British policy-making is accused of overexcited policy-making that fails to complete the ‘policy race’ successfully. Thus, major public sector policy reforms throughout the 1980s and the early 1990s, such as privatisation of network industries and internal government

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<sup>3</sup> This paper therefore does not consider public expenditure, taxation and employment policies.

<sup>4</sup> There has been considerable debate whether the UK should be called a ‘state’, given very different patterns of state formation and the role of public administration as part of such formation processes. Despite using ‘state’, I do not intend to address this particular debate.

<sup>5</sup> This distinction is neither exclusive or exhaustive, see for example the arguments about the dominance of the Treasury as key factor in destroying the British economy, the advantage of other countries’ second learner abilities, or accounts stressing the importance of ‘culture’

change (or ‘public management policy reform’ (Barzelay 2001)) were explained by ‘heroic’ accounts of a forceful prime minister, exploiting the absence of system-inherent veto-positions (also Grande and Schneider 1991).

Such views of a (British policy-making) hare being able to run its course without much hindrance (in contrast to political systems with inherent veto-points) were first made prominent by Finer’s adversarial politics thesis of 1975 that blamed the two-party system created by the plurality electoral system for constant economic policy U-turns and relative economic decline (Finer 1974). This ‘elective dictatorship’ view found however little evidence in policy analysis (Gamble and Wakeland 1984, Rose 1984). A ‘hare’ perspective was also put forward by Patrick Dunleavy who pointed to the ‘strange brew’ of a unitary-majoritarian and a NPM-ised state as a key explanatory factor for permanent policy failures under the Conservative administration of Margaret Thatcher and John Major (Dunleavy 1995). According to Dunleavy, the British system with its absence of formal veto positions had also moved away from its informal ‘checking capability’ by eliminating civil service hierarchies and by incentivising ‘managerial-’ and ‘production’-oriented civil service policy-making. This had increased the likelihood of policy failure given insufficient policy discussion and consultation. Therefore, ‘hare’ views of British policy-making have mostly been negative; the absence of constitutional safeguards and veto-positions is seen as facilitating opportunities for hasty and unconsidered policy-making, inevitably leading to failure.

The literature also offers a number of ‘muddle’ accounts on British policy-making. The British political economy’s characterisation as ‘liberal market economy’ by Peter Hall and David Soskice builds on earlier work that has often compared (unfavourably) economic policy-making capacity by the British and the French state (Hall and Soskice 2001). For example, Fritz Scharpf has pointed to the inherent competitive nature of British trade unionism as a key explanatory variable for accounting for the failure of attempts at corporatist macro-economic policy-making in the early 1970s (Scharpf 1987).

Peter Hall has highlighted key differences in the politico-administrative nexus across countries (Hall 1983), while later considering differences in the way in which labour, industry and finance were organised, oriented and resourced in the British political economy and the degree to which, in the British case, these two sides of ‘capital’ were not connected, with finance traditionally being oriented towards international markets (given higher returns) and having particular weight in economic policy decisions (Hall 1986).

The British civil service, characterised as non-expert and amateurish (by being trained in ‘classics’ in Oxford or Cambridge and learning civil service work ‘on the job’) has attracted much interest in the literature (see Sisson 1959). This type of criticism was also made in the so-called Fulton Report of 1968 (which led to hardly any changes). In a related argument, Jack Hayward (1976) pointed to the distinctive cultural characteristics of the British civil service in being ‘non-interventionist’ for explaining the absence of a more ‘activist’ British state (when compared to France).

‘Muddle’ views therefore suggest that British policy-making is unable to offer coherent policy planning or overarching policy programmes. The civil service is perceived to be inappropriately resourced and trained for dealing with questions of economic governance and the linkages between state and organised society are too weak to motivate private actors to co-operate with governments to achieve mutually beneficial policy outcomes. The liberal market economy characteristics of the British political economy prevent the successful adoption of policy instruments that were regarded as successful when applied in so-called co-ordination economies (Hall and Soskice 2001: 63). In sum, ‘muddle’ views of British policy-making point to a state without much capacity to develop coherent state economic policy from the centre or even to develop strategies to enhance market self-coordination. British public policy was seen to be ‘muddling’ but ‘not getting through’.

While admittedly stressing the two rival interpretations of policy-making in Britain, the ‘hare’ and ‘muddle’ accounts both seem to imply that British policy-making is likely to fail, either because of too much centralised power, or because of a lack of capacity for policy-making. Privatisation policies in comparative perspective may look radical and the outcome of a powerful core executive that can override opposition given an absence of veto-points. A more fine-grained analysis may reveal a more incremental and gradual path of public sector reform. For example, the privatisation and liberalisation of the telecommunications market took place in gradual steps, in terms of transfer of shares to the stock exchange, in terms of organisational change and in terms of liberalisation. The adoption of ‘privatisation’ templates across network industries also reveals an incremental learning pattern, starting from the privatisation of private monopolies (telecommunications (despite the presence of ‘Mercury’ as challenge to the incumbent, British Telecom) and gas), the vertical and horizontal fragmentation in electricity and water, and finally being completed with the full blown vertical and horizontal separation of the railway industry with the 1993 Railways Act.

Christopher Hood (1996) has explored this pattern of public sector reform in the UK during the 1980s and 1990s as a process of ‘second chance learning’: the period of unprecedented one-party rule allowed civil servants, rotating from one policy reform to another, to develop and adjust policies over time. However, such a view does not contradict ‘negative hare’ views as such; in a political system where civil servants rotate regularly across policy tasks (within departments or, when reaching ‘senior civil service’ status across departments), a ‘hare’ pattern is likely to emerge in a context where civil servants need to develop noticeable policy packages within limited time periods. At the same time, it may also be counted as a ‘muddling under extraordinary conditions’ process where ‘muddling’ across policy domains leads to a process of policy adjustment.

Therefore, is there any hope for a Third Way government to alter the course of British policy-making or is any road of policy-making, however good-natured its intentions,

inevitably leading to policy disillusionment? The next two sections explore public sector reform in Britain under the Blair government. It does so in two steps. First, it considers to what extent the past six years have seen a major change to the traditional understanding of the ‘Westminster’ model. Second, this paper moves to a more detailed analysis of three policy cases.

### **Challenging the Westminster model?**

The Westminster model, according to Lijphart (1999: 9-21), includes ten key dimensions: unitary state, unwritten/flexible constitution, absence of judicial review, unicameral legislature, cabinet dominance, a plurality-based electoral system (and two party system), single party government, interest group pluralism and (since the 1999 edition) non-independent central bank. Criticism about the working practices of the Westminster model had become increasingly vocal throughout the 1980s and the early 1990s, in particular in Scotland. However, despite the adoption of some constitutional reform policies by the Labour Party in opposition prior to the ascendancy of Tony Blair, little chance was seen that a UK government would move towards a policy of major constitutional reform. For parties in power in London, the prospect of adopting policies that would reduce a party’s power when in office was seen as too powerful motive for staying in office.

Despite much talk about constitutional reform in centre-left circles after the Conservative’s unexpected electoral victory in 1992, the package of policy proposals for constitutional reform was inherited from the deceased John Smith when Tony Blair became leader of the Labour Party. These proposals included promises of a referendum for devolved government for Scotland and Wales, a referendum on a mayor for London and on electoral reform, as well as the promise to make the House of Lords more ‘democratic’. As a whole such a policy package presented a relatively radical challenge to the traditions of the ‘Westminster’ model. And remarkably, the early years of the Blair administration witnessed the speedy implementation of many, but not all of these

proposals. Most significantly, within hours of the Labour victory, the Bank of England was declared independent of interest-rate setting by the Chancellor of the Exchequer (the Finance minister). Referendums on devolution in Scotland and Wales were held and were successful (in Wales with a marginal margin), Londoners overwhelmingly voted in favour of having an elected mayor, the European Parliament elections were held under a system of proportional representation and despite some substantial resistance, all but 82 ‘inherited peers’ lost their rights to vote and attend the House of Lords. However, by spring 2003, further reforms to the House of Lords had been stalled with the House of Commons voting down seven different proposals for a future composition of the House of Lords (that was to remain in purely advisory capacity) The committee tasked with devising the final reform policy package dissolved itself by late February. Welsh politicians called for a similar extent of devolved powers as Scotland (devolution in Northern Ireland had faced regular suspensions)<sup>6</sup>, a Commission on electoral reform had come, reported and left no trace on further policy discussions. This section focuses on three key dimensions of the Westminster model, devolution, parliamentary reform and electoral reform.

Despite the successful introduction of devolution, it remained unclear to what extent the ‘hare’ move of rapid decision-making did not pave the way for an eventual muddle. First, devolution was asymmetric: Scotland received more delegated powers than Wales (the latter receiving only the right to express ‘devolution’ in secondary legislation), while the power to tax and spend independent was severely restrained in the Scottish case, and not existent in Wales. Thus, despite substantial policy authority for most areas of ‘domestic’ public policy being delegated to Scotland, there was doubt whether independent preferences were possible to be expressed given limited financial autonomy. At the same time, Scotland continued to benefit from over-proportional representation in Westminster (to be reduced with the next election) and financial subsidy from the national budget. In

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<sup>6</sup> The run-up to the first round of elections in Wales and, more prominently, London were marred by considerable scandal and embarrassment for the Labour Party.

terms of sheer activity, devolution led to a refocusing of political attention to the devolved elected chambers in the respective regions, and there were also some substantial policy differences between Scotland, Wales and England (with New Labour's influence being limited to England, Scotland and Wales took more 'old' Labour policy paths).

Nevertheless, while devolution seemed to have become an established fact in British politics, constitutional questions remained. The so-called 'West Lothian' (why Scottish MPs should be able to vote on English matters in Westminster) and the English questions (what type of regional representation should be constituted) were left open. With regard to the latter, proposals for directly elected mayors led to the election of fringe candidates and proposals for regional referendums on regional assemblies did not receive enthusiastic support apart from northern English regions that complained most about the unequal treatment in terms of financial support in contrast to their Scottish 'neighbours'.<sup>7</sup> Finally, the issue of financial redistribution across the various parts of the UK (the so-called Barnett formula) was left untouched for fear of raising further 'independence' claims. At best, therefore, devolution had instituted a rolling process that had brought substantial tension within the 'flexible' constitution. The tension was further facilitated by the absence of co-ordinating mechanisms in the centre apart from some informal conventions.<sup>8</sup> Devolution was therefore widely regarded to have 'unsettled' the traditional assumptions of the unitary state and it was doubtful whether 'good chappery' could provide the necessary glue to prevent conflict (same party rule certainly failed to do so).<sup>9</sup>

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<sup>7</sup> Those areas eligible to hold initial referendums on elected regional assemblies were to be announced by summer 2003 (*Financial Times*, 14 February 2003).

<sup>8</sup> In the case of tuition fees, English universities were set to enjoy extra income from charging higher tuition fees. This contrasted with existing Scottish policy of student repayment into a mortgage scheme that provided grants to low-income students.

<sup>9</sup> The long-term trend of removing responsibility for direct service delivery from local authorities continued. For example, the so-called Laming Inquiry into the death of the eight-year old Victoria Climbié (her care parents/relatives beat her with a bike chain, forced her to sleep in ice-cold water in the bath, wrapped by plastic bin liner, was burnt with cigarettes and received a daily crushing

In terms of electoral reform, Blair was never a supporter of proportional representation (even when shadow home secretary). Therefore, the introduction of proportional representation for the European Parliament and for Wales, Scotland and London (using three different variations of proportional representation: pure regional list, additional vote with top-up and supplementary vote; Northern Ireland always had Single Transferable Vote) was widely seen as a non-controversial issue. The move towards proportional representation for European Parliament election reflected a late implementation of Treaty requirements; in the regional cases this represented the intention to provide for ‘inclusive’ representation (a fundamental shift for Labour that in the 1970s had advocated a devolution programme based on first past the post which would have mostly guaranteed a one (Labour) party state). However, in the case of elections for the Westminster elections, the ambitions were more limited, given the claim that ‘national’ governments had to be ‘strong’ rather than ‘representative’ and ‘weak’ with ‘deals in smoke-filled rooms’. A Commission was established (under Lord Jenkins, a former Labour and then Liberal Democrat and former President of the European Commission) that advocated (in 1998) a highly complex additional vote with regional top-up formula (so-called AV-plus) that provided for a certain degree of proportionality while maintaining an emphasis on directly elected members of parliament (the ‘constituency link’).<sup>10</sup> However, the relative complexity of the proposed package and the increasing opposition from within the Labour Party, given a poor showing in those elections that had been fought under proportional representation, and the lack of necessity to have to co-operate with the Liberal Democrats (as the only national party supporting proportional representation given that it was the only party benefiting from such a policy change) meant that electoral reform had vanished from the political agenda by early 2003.

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of her toes with a hammer without the social services noticing) revived proposals for integrated service provision via a national board, chaired by a cabinet minister (Public Finance, 7-13 February 2003, pp. 26-8)

<sup>10</sup> Arguably, the mandate of the Commission already reflected the basic tension between two polar positions. Among four objectives, two reflected the wish for ‘strong’ government based on representatives with ‘direct’ constituency link, two reflected demands for representativeness and a low deviation from proportionality.

A similar pattern of early moves that later encountered hesitation was evident in the case of parliamentary reform. In terms of the directly elected House of Commons, reform proposals mainly focused on working practices and times, in particular on the issue of late-night sittings and the potential strengthening of the committee system. Such proposals came to fruition in Labour's second term in office with the prime minister willing to face a special select committee for questioning and working times of the House of Commons being pushed forward to reduce the amount of evening sittings. Whether this had enhanced scrutiny powers remained questionable. The main focus on parliamentary reform was focused on the House of Lords. Following the initial removal of almost all hereditary peers (except 82 that remained to highlight that the initial reforms were only to have temporary character), initial attempts to appoint 'people's peers' led to widespread ridicule given their 'non-people' characteristics. Following non-agreement on initial proposals by a Royal Commission (led by a Conservative, the Commission put forward three potential options), the Government set up a parliamentary committee (drawn from both Houses) to develop further proposals. The eventual voting on eight different proposals in February 2003 did not bring any solution: all proposals were voted down and therefore parliamentary reform was unlikely to re-emerge.<sup>11</sup>

More surprising, and extremely 'hare like' were the announcements in June 2003 regarding the abolition of the Lord Chancellor. This position, which with its combination of a post in cabinet and the position as head of the judiciary, flew in the face of any claims that advocated a 'separation of powers'. As part of a major government reshuffle, it was announced that the position of the Lord Chancellor was to be phased out and separated into a diversity of functions. Therefore, constitutional affairs, including devolution, were placed with a Department of Constitutional Affairs, the judicial appointment process was to be placed with an independent commission, while the Law

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<sup>11</sup> Blair had stated, in an unpredicted outburst during prime ministerial question time, his preference for a purely appointed second chamber. The proposal to have an 80 per cent elected second chamber was the 'least' unpopular, being defeated by three votes.

Lords, who as the highest judges had sat as a special committee in the House of Lords, were to become members of a ‘supreme court’. At the same time, while many of the details of these reforms were still to be formulated (at the time of writing), the overall reshuffle also pointed to significant ‘difficulties’ in governing ‘post-devolution’ Britain: a number of ministers whose constituencies were in Scotland were heading departments that were dealing with solely or mostly English matters, therefore bringing the ‘West Lothian’ question even further into the debate.

In conclusion, in constitutional terms, New Labour did make a difference. To some extent, there were substantial constitutional changes that fundamentally altered the image of the UK as a prime example of a ‘Westminster’ system. Devolution had changed the unitary nature of the UK state (despite the persistence of the doctrine of parliamentary sovereignty), electoral systems based on PR had made evident the non-two party character of party competition in Britain and had introduced coalition government. Furthermore, plans existed to establish a ‘supreme court’ that also ended the unique situations of senior judges being part of a legislative chamber (if only the House of Lords). However, parliament ‘at the centre’ remained effectively unicameral. The world at Westminster therefore to some extent still resembled the world of the ‘Westminster’ model, but elsewhere the UK was moving towards a different type of political system. However, the pattern of an early ‘hare’ that then ran out of steam in the cases of electoral and parliamentary reform suggested two things about ‘New Labour’. First, constitutional reform was never a full part of the ‘project’, but was inherited from earlier policy commitments and demands from regional party associations. Second, constitutional reform was mostly of interest ‘elsewhere’, but where it hit the central levers of power at Westminster, reforms were undertaken in a less enthusiastic way. Overall, however, the process of constitutional reform, while challenging the traditional image of the UK representing the ideal template of the ‘Westminster model’, mainly represented a ‘muddle’ in that it had not led to a coherent new settlement but rather an uneasy muddle that seemed gridlocked and resistant to further reform.

### **Public sector reform**

The ‘modernisation’ of the public sector was one of the central messages of ‘New Labour’, similarly ‘third way’ programmes elsewhere have talked about ‘activating states’ rather than ‘lean states’ (the German example). In the context of the UK, economic governance was seen as particularly important. ‘New Labour’ sought to signal its commitment to ‘low’ taxation and stability by, first, committing to Conservative expenditure levels for the first three years of government, and second, by making the Bank of England independent. Such a policy stance was widely seen to re-establish electoral credibility. This section considers three examples of ‘modernisation’ of public services that were prominent under New Labour, and all three examples arguably address wider discussions about the appropriate balance between state intervention, free markets and the type of ‘appropriate’ state attitude and behaviour. These three examples are the way in which the ‘centre’ attempted to control and direct government activity via benchmarking and standard-setting, the attempts at modifying civil service ‘competency’ and, third, the way in which the railways were regulated. The privatisation of the railways had arguably been the most controversial privatisation under the previous Conservative administration and Labour’s pre-1997 signal that it did not believe in re-nationalisation but in regulatory control was one of the most prominent signs of the altered party programme towards the control and ownership of a network industry.

#### Standard-setting

For the British Labour Party, public sector modernisation involved announcements on additional public spending (with largely disappeared in salary increases and rising project costs) that were linked to enhanced centralised control via benchmarks and standard setting.<sup>12</sup> This tendency had already begun under the Conservative administrations. Initial Labour thinking had been to reduce the regulatory burden on schools and local authorities (called ‘best value’) by providing for asymmetric regulatory control, i.e. a ‘good’

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<sup>12</sup> Spending numbers were usually accumulated in most imaginary ways.

inspection was honoured with less tight oversight, poor performers were named and shamed, and were faced with the threat of intervention teams that took over the operation of local authority administration or control shifted from direct control of operational activities to the control over control. However, benchmarking remained one of the central occupations to maintain one type of accountability over public expenditure, this was evident in the provision of finance for public service delivery and in the creation of so-called public service agreements within the central government. At the same time, benchmarks and targets were used as announcements of major policy goals, creating the grounds for later embarrassing confessions of ‘non-delivery’ or goal shifting.

With regard to the former, the Audit Commission published in December 2001 its ‘Comprehensive Performance Assessment’ of 150 councils (22 received excellent, 54 good, 39 fair, 22 weak and 13 poor)<sup>13</sup> and the Department of Health offered a chart of its 158 hospital trusts in June 2001 where 47 had improved, 36 worsened and 75 had stayed the same when compared to a previous exercise. In May 2001 a social services grading exercise had awarded three stars to eight councils, two stars to 50 councils, one star to 82 stars and no stars whatsoever to ten departments. Similar exercises existed for schools (see Hood et al. 1999) and, to some extent, for universities. Such activities, as already noted, were largely an adaptation of earlier Conservative initiatives. Labour initiatives emerged with a similar initial disregard of discussions about the value of benchmarks and the costs of the oversight and compliance activities. For example, Mike Power (1997), in his analysis of the ‘audit society’ has highlighted the inherent difficulty of measuring ‘qualitative’ aspects of particular policies, the difficulty of designing targets that do not bias behaviour in undesirable ways, lead to goal displacement and do not increase the

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<sup>13</sup> The legal authority of this particular scoring activity was challenged on the basis of non-existent provisions in local government legislation, the violation of ‘best value’ spirit by intrusive inspections into the overall services of authorities rather than the ‘audit’ individual services. See [www.audit-commission.gov.uk/cpa/index.asp](http://www.audit-commission.gov.uk/cpa/index.asp) (last accessed 26 February 2003).

likelihood of so-called placation effects, i.e. the fulfilment of targets makes the target-setter unaware of deeper problems (also Hood 1998: 208-18)

The co-ordination of central government activities through Public Service Agreements represented an attempt to counter departmentalism through oversight over targets. It was linked to the initial goal to stabilise government policy and maintain a ‘steady course’ (i.e. to reduce ‘hare’ tactics) and to three-year expenditure cycles. Every department (and also some parts of local government) was faced, after negotiations between itself and the Treasury (as the controller of public expenditure), with a multitude of objectives and targets (some of them shared across departments) in terms of outcomes rather than outputs that were to be achieved.

However, the initial overall impact was mostly a muddle: initial targets were abandoned twice in favour of a more simple systems with a reduced number of targets<sup>14</sup>, there was rivalry in oversight between the Treasury and the so-called ‘Delivery Unit’ in the Cabinet Office (established 2001) with bodies organisations being accused of centralising public policy-making, other targets and strategies emerged from alternative sources, and there was overall uncertainty about the status and sanctions attached to these PSAs. Furthermore, the non-achievement of certain targets could prove to be politically ‘sensitive’ and was therefore subject to political disinterest or politically-motivated alteration.<sup>15</sup>

### Competency

In terms of civil service reform, attempts to introduce the notion of ‘competency’ into the British senior civil service date back to the early 1990s. ‘Competency’, an old term in

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<sup>14</sup> At the same time, a target of ‘peace’ may be linked to various activities, but it is difficult to link particular activities to the success of achieving ‘peace’.

<sup>15</sup> One out of a total of five ministerial resignations can indirectly be linked to the non-achievements of (literacy and numeracy) targets. The direct cause was mismanagement of a political crisis involving A-level examination results.

public administration, had received renewed interest in the (private) management literature, in particular the literature on competency that stressed the importance of identifying excelling individual behaviours rather than expertise, organisational key strengths or standards of ‘good practice’. While such ideas had become popular in the US private sector since the 1970s and the federal administration between the late-1970s and the mid-1980s (Hood and Lodge 2004), the British civil service only became interested in these ideas in the late 1980s in the case of so-called quangos that had obtained autonomy in personnel policy. For the civil service at the ‘centre’, competency arrived in the mid-1990s with the newly created ‘senior civil service’. This development represented an attempt to create a cross-departmental civil service elite that was also open for outside entrance. The initial and hastily devised framework (by the private consultants, Price Waterhouse) set out a mixture of skills/expertise as well as behavioural competencies.

The response to the ‘Modernising Government’ agenda of the Blair government included an attempt to redefine senior civil service competencies. The eventual ‘competency’ framework relied exclusively on behavioural aspects of competency (offering eight key competencies that were linked to over 50 effective and ineffective behavioural indicators, ironically the oversight board termed the framework competence, a term that in management jargon is reserved for minimum standard and not behavioural approaches towards competency). However, far from identifying a vision for the future that attempted to summarise the work challenges and demands on civil servants in policy-making, the behavioural framework was mostly focused on the production side of civil service work rather than on issues such as consultation and other outward-facing activities. Furthermore, the methodology was flawed. The project consulted mostly with senior civil servants and hand-picked junior civil servants (and in a second stage with some ‘focus groups’ such as civil servants from ethnic minorities or with disabilities), it did not rely on ‘critical cases’ for research and outside constituencies were hardly consulted (two business people from ‘national champions’ were consulted). Overall, therefore, the final product was hardly an assertion of a ‘modern’ civil service that had undertaken a major

study into its working practices and demands, but rather an exercise in developing a framework shaped by the self-replication of traditional traits and characteristics.

While such a behaviour and outcome can be explained by typical organisational ‘filtering’ processes that embrace issues that are easy to solve while neglecting more fundamental challenges to existing working practices and standard operating practices, the way in which competency frameworks were brought forward reveals also a very traditional ‘hare’ pattern in British administration (in particular when comparing to other national experiences in adopting competency frameworks). The development of competency frameworks points to the central position of the Cabinet Office as motor of such public sector reform policies. The Cabinet Office represents a department that is able to stand up to other ministerial departments (especially as a counterweight to the Treasury), while its civil servants alternate in positions approximately every three years. These relatively junior civil servants are therefore under the pressure to ‘deliver’ policy projects within a relatively short time span, creating a particular incentive structure for ‘hare’ policy-making patterns. The development of competency framework also illustrated a ‘hare’ pattern in that it lacked consistency and co-ordination with other Cabinet Office initiatives. It was not clear in what relation the ‘competency framework’ was placed vis-à-vis other Cabinet Office documents on ‘good policy-making’ or on ‘good consultation’. There was, at first, no reference in the competency framework to these policy documents and to some extent there were substantial trade-offs between these different initiatives. Finally, while competency frameworks found their way into performance pay regimes, it was not clear to what extent ‘competency’ (or other ‘good policy-making’ documents for that matter) frameworks found their way into departmental working practices (although the competency dimensions found their way into annual assessments and were linked to performance pay).<sup>16</sup> This pattern of disconnected activities was also familiar in other ‘modern government’ activities. For example, a report

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<sup>16</sup> Departments also adopted competency frameworks for their own staff (below senior civil service level).

by the ‘Better Regulation Task Force’<sup>17</sup> on utility regulation was not only rejected by various regulators, it was widely ignored by government departments and led to further reviews of utility regulation by the Treasury and the National Audit Office while policy-making was ongoing within the Department of Trade and Industry.

In sum, the issue of ‘competency’ frameworks provides a further example of the attempt of ‘New Labour’ to initiate ‘managerialist’ policy reforms for the public service. However, while this language was widely embraced by the Cabinet Office and, to a lesser extent, by other government departments (and most of all, ‘modernising’ ministers), it was unclear to what extent the managerialist language was embedded in working practices, or whether the managerial language was in any way meaningful in improving or even affecting civil service work. The policy-making pattern of a political hare eager for policy initiatives and a ‘civil service hare’, eager to please political masters, mainly led to declarations and institutional furniture rearrangements, but hardly moved policy-making towards a less ‘muddle’ image than had been evident under earlier governments.

### Railway regulation

The vertical separation of state-owned British Rail into Railtrack (floated on the stock exchange), 26 passenger train franchises, three freight operators, three rolling leasing companies and a multitude of maintenance companies had been one of the controversial privatisations under the last Conservative government (Lodge 2002a: chapter 6; Lodge 2002b). The structure of railway regulation had been the cumulation of ‘privatisation thinking’ of civil servants who had been involved in the various regulatory reforms of utilities throughout the 1980s and early 1990s. As already noted, already prior to the 1997 election the Labour opposition had committed itself towards a policy of regulating rather than re-nationalising the railways (arguably the Conservative’s design had made any reversal unlikely given anticipated political costs of reversal). However, while the

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<sup>17</sup> The Better Regulation Task Force had been established to ‘proof’ regulatory activity and to act as an advocate within government, replacing Conservative ‘red tape’ initiatives.

commitment meant that initially there was no change in railway policy, wider ambitions in transport policy, accidents and poor operational performance soon started to accentuate earlier tensions within the inherited system of railway regulation, in particular with regard to criticism of the management (and existence) of Railtrack, the privatised infrastructure operator.

These tensions emerged in particular following the announcement of the desire to establish an ‘integrated transport policy’ (DETR 1998) that was linked to a 10 year transport plan (produced in 2000) and the appointment of a new rail regulator who was mandated to be more adversarial vis-à-vis Railtrack. While overall transport policy depended on the financial viability of Railtrack and private market confidence, the rail regulator was asked to challenge Railtrack’s behaviour as monopolist. Furthermore, delayed projects, a series of accidents that cumulated in the Hatfield incident (mentioned at the beginning) that closed the British railway network for weeks, shifting ministerial policy preferences (for example, on franchising policy, where an earlier announcement of a change of policy from 7 year to 20 year franchises was altered, mid-refranchising process, into 2-3 year extensions of existing franchise agreements), critical reports on railway safety that recommended costly improvements, and institutional turf-battles between rail regulator and newly created ‘Strategic Rail Authority’ seemed to suggest that ‘transport policy’ became one of the biggest problems for the Blair administration.<sup>18</sup> These problems were accentuated following the 2001 election by the appointment of Stephen Byers as Transport Secretary. Following his ‘spin doctor’s’ advice on 11 September 2001 that departmental news should be immediately released in order to be ‘buried’, every announcement on railway policy was turned into a direct challenge to ministerial authority (leading to the eventual resignation of the minister in May 2002). In the meantime, the aftermath of the Hatfield incident, where Railtrack had committed itself to a track renewal programme, meant that there were increasing demands for

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<sup>18</sup> It cumulated in delayed railway journeys of senior Labour politicians to their party conference in September 1999.

financial subsidies for the private infrastructure operator. In October 2001, the government announced that it refused to provide (already promised) subsidies to Railtrack, thereby forcing the operator into administration. By May 2002, it had replaced Railtrack with a ‘public interest’ company, NetworkRail that was to reduce costs and to provide investment without private sector demands for dividends. In the meantime, most franchises had received additional public subsidy (linked to ‘tougher’ performance regimes) and the government ambitions, as expressed in its 10-year transport plan, were gradually being abandoned and service cuts were announced.<sup>19</sup>

While only highlighting the broad outlines of railway policy under the Labour government, this pattern does not suggest a depoliticised regulatory regime. Instead, policy reform accentuated existing tensions within the regulatory regime and added further complexity and fault-lines. Furthermore, railway regulation made also evident the ambivalent nature of ‘New Labour’ to privatised utilities. On the one hand, there was the belief that ‘capital’ had to be regulated in a ‘tough’ way in order to secure the public interest. On the other hand, the claim that the ‘third way’ relied less on public than private expenditure created a dependency relationship with private sources of finance (such as Railtrack). These tensions were further accentuated in the later years with anticipated tighter spending limits and the continuing lack of improvement in railway services.

## **Conclusion**

This conclusion seeks to briefly address three questions. What difference did the ‘Third Way’ make? Did it alter existing ‘hare’ and/or ‘muddle’ interpretations of British policy-making? What are potential implications of the particular British ‘third way’ policy-making for future policy-making? Each question is explored in turn.

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<sup>19</sup> It was ironic that the Transport plan had been included as a key example in a study of the Cabinet Office on ‘good policy-making’, published in November 2001. The plan was completely irrelevant by spring 2002.

First, ‘New Labour’ has undoubtedly made a difference, in terms of devolution, to some extent in terms of social policy (with its major reliance on taxation for redistribution) and in terms of marginalising Conservative politics for nearly a decade. However, when looking in more detail, it is less evident whether there has been a clear ‘blueprint’ in policy reforms or whether initial reforms set in train further reforms and responses. Thus, rather than ‘modernising’ the public sector and achieving ‘stability’ (diagnosed by Third Way gurus to have stood in the way of sustained British and Labour success during the 20<sup>th</sup> century), initial reforms mainly acted as an ‘irritant’ to inherited policy programmes. In the case of civil service reform, apart from its emphasis on managerial rhetoric, there was hardly major change (although some argued that a potential consequence of non-delivery by the time of the next general election could be a more radical approach to the civil service). Furthermore, it was not clear whether the ‘difference’ had mainly to do with announcements of additional initiatives or with the eventual achievement of policy targets as a result of Labour’s policy programmes.

Second, policy-making under ‘New Labour’ combined both hare and muddle perspectives of British policy-making and it was difficult to detect whether the government’s attempt to move beyond both these interpretations of British policy-making were successful. Public sector reform policies under the labels of ‘modernising government’, ‘joined-up government’, ‘delivery’, ‘better regulation’, and ‘evidence-based policy-making’ were developed in haste, but not repented in leisure but quickly forgotten, only to be replaced by further reform initiatives. As the case of the railways illustrates, highly optimistic government projections of transport growth and investment seemed to contradict the government’s own emphasis on ‘tough’ regulation of the railways. Furthermore, the ‘hare’-like pattern of target-and objective-setting and their achievement in ever wider policy domains faced substantial implementation problems, given the complexity of, say, hospital and school management (in other words, it is impossible to prescribe reductions of hospital waiting lists from a desk in central London). Finally, the rapid succession of public sector agreement targets not only suggested a hare-pattern, but

also a muddle-pattern, given that rapid succession undermined the basic utility of such a benchmark regime.

It was unlikely that British policy-making would move beyond such ‘hare’ and ‘muddle’ perspectives given the inherent incentives within British public administration. That is, the individual career structure of civil servants encourages the development of short-term policy initiatives, while the organisational rivalry between Cabinet Office (and 10 Downing Street) and Treasury for ‘oversight supremacy’ led to the continual creation of rival monitoring and ‘policy initiative’ units.

While the previous two points suggest a ‘nothing new under the sun’ perspective on the ‘Third Way in government in Britain’, there was one element that arguably could have a long-lasting impact on the way in which public policy is and can be developed and implemented. One of the key ideas of ‘New Labour’ was its emphasis on presentation and ‘spin doctors’ – a policy that also received heightened attention as part of the Hutton Inquiry concerning the ‘circumstances of the death’ of a civil servant and weapons inspector and the preceding row over claims made on the availability of weapons of mass destruction in Iraq. While the media-campaigning tactics proved highly effective in opposition, the same machinery faced increasing public and media hostility in government. If the reliance on ‘presentation’ that was later to be found to be lacking substance was to lead to increase long-lasting scepticism, if not cynicism by the wider public and the media on policy initiatives, then this could potentially have long-lasting effects on policy development. In a climate where presentational strategies aimed to deflect public criticism turn into targets for criticism, politicians and their bureaucrats are likely to become increasingly defensive, leading to responsibility ‘shifting-around’ between various government organisations that, while optimal at the individual organisational level lead to sub-optimal outcomes at the government-wide level. At best, the ‘Third Way’ of ‘New Labour’ born with an electoral earthquake, appealing presentational strategies and much enthusiasm for public sector modernisation was likely

to suffer from a traditional over-commitment problem; initial hype sowed the seeds for later destruction given disillusionment with the lack of policy success. At worst, it had added so considerably to the cynicism of the electorate, thereby leaving as a legacy increasing difficulties with regard to the legitimacy of the British government and the ability of British government's to govern.

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