

## **23rd Session of the Committee of Experts on Public Administration**

### **Written Statement by International Institute of Administrative Sciences (IIAS)**

*Agenda item 8: Public financial management.*

### **Crises, Money and Neo-NPM: Towards a Soft Landing?**

#### **Crises and Responses**

Since the outbreak of the COVID-19 pandemic, it has been commonplace to consider the rapid unfolding of crises as the typical contemporary condition of humanity: pandemic, catastrophes and wars are expected to become the norm in global contexts.

In 2023, the three conferences of the International Institute of Administrative Sciences (IIAS) Group addressed this issue from different angles. Delivering the Braibant lecture at the IIAS-SEAPP Doha Conference 2023, Shamsul Haque expected no SDG to be achieved by 2030 under the current institutional conditions. He considered the Development State model that fueled the East Asian boom as a theoretically suitable way forward. Its key tenets, administrative autonomy and professionalism, are however conditions that are generally not met for its successful implementation (Haque, 2023).

In a similar vein, the EGPA Conference 2023 brought forward a Neo-Weberian discourse (Drechsler & Fuchs, 2022). Government is expected to shield society from an extreme market logic in the delivery of public services, offering a beacon of stability in an uncertain world, guiding society towards more benign futures. At the IASIA Conference 2023, however, it was the idea of a Resilient government working hand in hand with society (Boin & Lodge, 2016) that captured best the sentiments expressed by the conference participants.

Overall, the noticeable trend is for the hierarchical model to make its comeback. So far, it is coexisting peacefully with the networked governance model in public governance discourses. Both are united in their rejection of New Public Management and market-based solutions, and a strong commitment to the public service values adequately captured in the IASIA-UNDESA Standards of Excellence in Public Administration education and teaching (UNDESA/IASIA Task Force, 2008) – a landmark effort shepherded by the late Allan Rosenbaum, may his soul rest in peace.

#### **Responses and Public Finances**

Out of the traditional menu of public management reforms proposed by Hood (1991), both alternatives are theoretically the most expensive ones for the public finances.

The Neo-Weberian argument, as illustrated by Geert Bouckaert in the IIAS panel of the Lien Development Conference 2022<sup>1</sup>, consists in establishing a public sector like a fire department: a set of idle capacities or slack ready to intervene in times of crises, just in case. New Public

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<sup>1</sup> “Resilient Governance for VUCA Contexts: an IIAS Panel” November 26 2022, chaired by Steve Troupin (IIAS), <https://lienconference.sg/2022/>

Management, it is argued, has destroyed this slack that now needs to be restored to extinguish the many fires in society.

The network argument assumes a set of conflicting demands made to governments in a democratic context by organized groups in society. To each of these legitimate demands correspond a set of policies, government agencies, civil society organizations and budget lines. This institutional saturation delivers social peace and, arguably, an interdisciplinary take on the wicked issues society has to address (Christensen & Lægheid, 2007).

### **Expansionist Monetary Policies**

In general, development is financed through the creation of new money. Steered by governments, the financial system allows private actors taking on increasing amounts of debt, resulting in the creation of money. Ever growing public expenditures are financed by debt. According to the IMF, global debt levels in the world stood at 238.1% GDP in 2022, up from 96.8% in the 1950s and 196.8% in the 2000's (International Monetary Fund, 2023).

Public finance crises used to be managed through fiscal consolidation (Kickert et al., 2015), i.e.: a reduction of expenditures and an increase of revenues. Since the Great Recession however, the purchase of government bonds by Central Banks –a policy known as quantitative easing– has become commonplace, further increasing the monetary mass. According to Statista<sup>2</sup>, central banks worldwide held US\$ 39 trillion of assets in 2022, up from 4.7 in 2002. With a world GDP estimated at US\$ 100 trillion<sup>3</sup>, this is an additional 39% monetary expansion.

Overall, the two major crises since the 2000's, the Great Financial Recession and the COVID-19 pandemic have led to a monetary expansion of 80% spread approximately equally between debt and quantitative easing. The forecast of new crises is first and foremost a forecast of further monetary expansion.

As investors try to protect their capital from monetary debasement, asset prices increase more than proportionally to the monetary mass, starting from the most liquid ones. The abyssal line (Santos, 2017) dividing the most and least advantaged segments of the global population corresponds to that between those that can exit monetary debasement by purchasing assets and those who can't.

The countries that can afford it however fight more mundane inflation figures through interest rate hikes. The net effect is for capital to fly to these places' currencies. Where capital leaves, an exchange rate crisis and a foreign currency reserves crunch put the conditions in place for sustained poverty and social unrest.

Other things remaining equal, expansionist monetary policies tend to widen the gap between social classes worldwide, and between the economic center and the periphery (Wallerstein, 2004). As the negative consequences of this phenomenon are addressed through further debt creation and quantitative easing, expansionist monetary policies tend to feedback into themselves.

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<sup>2</sup> <https://www.statista.com/statistics/421201/assets-of-central-banks/>

<sup>3</sup> <https://www.worldometers.info/gdp/>

## **The Neo-NPM is there already**

The future being always present in the past, some traits of an emerging neo-NPM rhetoric can already be discerned in political discourses and practices of leaders and other economic actors alike.

Just like bureaucratic bashing was essential to NPM rhetoric, neo-NPM claims to be generally anti-elite. An undifferentiated mass of global scholars, bureaucrats, bankers and representatives of minorities are targeted, therefore. They are accused of connivance to maintain national systems in a clogged status quo.

Neo-NPM is Bonapartist (Marx, 2023). It claims to stand above this purported elite. In doing so, it seeks the direct support of the population, which it tries to secure through populist propaganda on social media mainly. At best, it pays a lip service to the traditional governance workflows, and sustainably removes checks and balances.

Like NPM, neo-NPM policies are affiliated to the Austrian school. They consider governments incapable of delivering added value beyond security and place an absolute faith in the private sector. They systematically disband existing government capacities at the exception of military ones. They pursue fiscal austerity and give hard currencies legal tender.

Neo-NPM governance systems have a nationalist ideology, not unfrequently linked to arguments as to the intrinsic superiority of some racial, cultural, historical or gender-based social groups, whilst the other ones are facing hazards ranging from exclusion, assimilation and sometimes outright extermination.

## **Towards a Soft Landing**

The cost of crises is monetary debasement through debt increase and quantitative easing. It arguably widens the gap between rich and poor through igniting the race towards acquiring hard assets, and between central and peripheral countries through the rush of capital to those central banks' jurisdictions offering the highest interest rates.

If Neo-Weberian or Networked governance approaches to risk anticipation and mitigation do not deliver, there is a risk to be left with those costs only, paving the way for Neo-NPM leaders and policies. Avoiding this hard landing requires several steps.

As national realities are overdetermined by global institutional constraints, a first step consists in systematically adopting a global focus for public governance discussions, within which national considerations are enclosed.

Second, having a global focus logically requires critical approaches to discourses dominated by political ideology seeped into ethnic supremacy, neo-colonialism, fear of the foreigner, etc. in order to favor meta-discourses instead.

Such meta-discourses like the SDG 2030 agenda should be directly connected to the reality of societies in order for global institutions to remain meaningful and legitimate (Meyer & Rowan, 1977). This will ensure the relevance of global policies and their sustainable funding. Their benefits should clearly offset their cost, which warrants humility, frugality and performance.

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