

Economics in Administration: New Reform Perspective?

Jeong Youl Choi, Ho Taek Choi
Research Center for Local Autonomy and Public
Opinion, Pai Chai Univ.

Abstract

As a seedbed for American Public Administration, Traditional Reform Perspective (TRP) produced Wilsonian formulation of administrative science in modern academic setting. From the beginning of the second half of the twentieth century, ideas were transported into Public Administration scholarship. New Reform Perspective (NRP) entails a belief that these reasonings are largely based on assumptions of Economics. Looking into this belief is a necessary condition, if not a sufficient one, for answering the question: Does NRP hold in the study of administration? This initial reading, though somewhat primitive, tries to set up a proposal for identifying a meaningful context for understanding the situation. As a representative version, Wilson's original perspective must be reconsidered in order to articulate the field of study within traditional reform context. According to NRP, new administrative theories are the results of the influence of economic reasoning into the field of Public Administration. Therefore, rereading of Tiebout's 'Pure Theory' and Ostrom, Tiebout and Warren's 'Theoretical Inquiry' is a prerequisite to satisfy this particular condition.

I. Wilson's Saving Administration from Constitution

Reform movement in American society was very important period of time especially for Public Administration as a specific field of study. Not only because the movement set the situation in which Public Administration could be born in academia but because the era for the Reform produced a decisive piece of work for the discipline. That is, Woodrow Wilson's "The Study of Administration" published in 1887 [1] is generally regarded as the beginning of Public Administration as a specialty in academic setting. If we want to talk about the era and the movement in terms of the formation of the area of study, it seems inevitable for us to depend on his thought on the field because it reflects the movement in terms of the foundation for that specific area of inquiry. In other words, it represents TRP in terms of modern Public Administration.

However, after WWII, the field has experienced a change in its core consciousness largely because of its interaction with economic reasonings. Today, it is not

difficult to observe an influence of Economics in contemporary pursuit of explaining American Public Administration. Emulating Lyons and Lowery [2], if not copying them, I would call this reform Public Administration with NRP. Lyons and Lowery selected the two theoretically responsible works for NRP in terms of Public Administration under the influence of Economics. They are "A Pure Theory of Local Expenditure" by Charles Tiebout [3], and "The Organization of Government in Metropolitan Areas: A Theoretical Inquiry" by Ostrom, Tiebout and Warren [4]. Therefore, understanding NRP in terms of Public Administration, or the new intellectual situation of contemporary Public Administration requires reexamination of the three outputs, at least. Identifying relevant implications from rereading of the three seems to be necessary in order to answer the question: Does NRP hold as a new theoretical foundation for Public Administration? I present two implications from Wilson's foundational work.

Firstly, Wilson insists that we must not waste our energy for discriminating administration from politics. He strongly suggests us that:

...namely, that administration lies outside the proper sphere of politics. Administrative questions are not political questions...Biuntschli, for instance, bids us separate administration alike from politics and from law...But we do not require German authority for this position; this discrimination between administration and politics is now, happily, too obvious to need further discussion. (because) There is another distinction which must be worked into all our conclusions (insertion, mine),...

For founding the field of Public Administration, Wilson thought, there were much more important distinction than the one between politics and administration. In a sense, the more we concentrate on the issue of the distinction between politics and administration, the farther we locate ourselves from the mark Wilson identifies. The distinction Wilson needed to form a new field of study was not the distinction between politics and administration.

Secondly, Wilson tried rather hard to relocate our focus from the difference between politics and administration. He urges us to change the locus of our focus to another side of that one we cherish on. From the outset, he warns that his own locus is not quite so easy to keep sight of. He means that 'the distinction between constitutional and administrative questions, between those governmental adjustments which are essential to constitutional principle and those which are merely instrumental to the possibly changing purposes of a wisely adapting convenience.' According to him, it is extremely difficult to logically discern the lines of demarcation setting apart administrative and non-administrative functions because a great deal of administration goes about incognito to most of the world, being confounded with political management and constitutional principle. In order to help us building a clear view of the difference between the province of constitutional law and the province of administrative function, Wilson recommends the three related propositions.

1. The general laws which direct things to be done are outside of and above administration.
2. The broad plans of governmental action are not

administrative.

3. The distinction is not the one between Will and answering Deed.

In addition to these, he enumerates application of law, detailed execution of plans, and will of administrator in the choice of means. To him, conceptual clarity of administration, therefore, is up to the distinction between general plans and special means. There seems to be no doubt that Wilson tries to clarify a new field of study called Public Administration by saving it from a great world of the constitutional affairs. He articulates that the object of administrative study is to rescue executive methods from the confusion and costliness of empirical experiment and set them upon foundations laid deep in stable principle. What are these foundations residing in the principles? We know the principles are constitutional ones. But, how can we know the foundations inside of the constitutional principles? Are they foundational assumptions of price theory of Economics?

II. Market-Type and Nonmarket-Type Solutions in NRP

As I said in the beginning of the section I, according to Lyons and Lowery, the primary contribution to NRP consisted of the two significant publications, Tiebout's 'Pure Theory' and Ostrom, Tiebout and Warren's 'Theoretical Inquiry.' In 1956, Charles Tiebout published a seminal article on Economic Theory of an organizational structure of metropolitan government. It is obvious that Samuelson's controversial conceptualization of public goods [5] has dissatisfied Tiebout greatly. He definitely posited an alternative concept of public good to Samuelson's version. I believe that Tiebout's contribution has been pushing his position away for the further distance from inherent publicness in governmental solutions, but, simultaneously, affecting the wider audience interested in public affairs in general. Tiebout wanted to stick to the core assumptions of economic reasoning in contrast to Samuelson's exposition. Furniss [6] states these foundational propositions in Economics as follows:

The property rights perspective embraces three major assumptions of classical economic theory. The first is "methodological individualism" – the positing of the individual as the basic unit of analysis and her or his preferences as the paramount consideration. This assumption is closely associated with the second: each individual acts rationally to maximize his own utility, that is, each individual knows his own volitions and pursues them coherently. This maximizing behavior is accepted as the norm. The third assumption states that these maximizing individuals will be able to attain gains from voluntary exchange. That is, all things being equal, the free market is desirable.

With this basic understanding of the foundation of economic reasoning, the three elements are produced from a comparative comprehension of the two reading materials mentioned above.

Firstly and the most significantly, Tiebout's assertion that his own theoretical analysis cannot be fully applied to Public Administration of the national government has never been seriously considered as one of the main presumptions of his total explanation. From the beginning of his theorizing, Tiebout convicted that his system presented a simple model which yielded a solution for the optimal level of expenditures for local public goods. He believed that an application of his theory to local level of government reflected the preferences of the population more adequately than it could be reflected at the national level. The very foundation of price theory, the fundamental assumptions of market-type solutions for governmental problem, was conceptually irrelevant, from the outset, to one of the most important producer of public administration, the central government. This is critical in that, five years later than Tiebout's work, Ostrom, Tiebout and Warren had published another version of theoretical inquiry on metropolitan government in 1961.

With respect to applicability of their theory, they insist that polycentric political systems are not limited to the field of metropolitan government, and that the concept of polycentricity is equally applicable to regional administration of water resources, regional administration of international affairs, and to a variety of other governing situations. But, in their polycentric theory of

1961, Tiebout's presupposition of governmental institution characterized by applicative limit imposed on national level was cautiously lifted from the tenet designated by the three polycentrists, one of which was Tiebout himself.

It may be that significance of Tiebout's self-acknowledged limit of his own theory on the local level, only a part of multi-level structure of the national system of government, has been ignored by the readers of Public Administration for a long time. In addition, we saw that an application of the polycentric theory to metropolitan organization had no intention to confine its applicability only to local level of government. To polycentrists, there is no limit in applying their theory to any level on which the national governments may operate. The difference must be clear enough because both Tiebout and polycentrists have made their applicative premises on governmental organizations discriminatingly each other, obviously. Also, it must be thought of as a significant issue if we are generally concerned with political history and constitutional feature of the modern democratic government.

Secondly, Ostrom, Tiebout and Warren's conception of indirect consequences does not require a somewhat rigid distinction between positive and negative externalities as in Tiebout's theorizing. They see that market activities do not show any particular strength in internalizing positive and negative spillover effects. Rather, a primary function of government activities lies at how much successful in internalizing various externalities, according to them. They did maintain that control or internalization of diseconomies usually falls upon public agencies, and that a function of government, then, is to internalize the externalities – positive and negative – for those goods which the producers and consumers are unable and unwilling to internalize for themselves. The three polycentrists assert that diverse processes of internalization are conceived as the 'public goods' themselves.

Thirdly, Ostrom, Tiebout and Warren's conception of scale for the production of local public goods may be dramatically incoherent to Tiebout's market type determination of the production scale. They identify four conceptual criteria determining the production scale of an

autonomous locality in metropolitan areas; Control, Efficiency, Political Representation and Local Self-Determination. According to Polycentrists, the various considerations and decisions involved in the process of incorporation of a municipality determines its production scale of the bundle of local public goods. Therefore, to polycentrists, determining the scale of production of municipal type public services is deciding and implementing production capacity for a local government realized through an autonomous political process. To them, question of scale is nothing but internal political question of constituting autonomous local polities rather than question of production of services imposed externally by market type mechanism on local governments operating in polycentric metropolitan regions.

Regarding the above three senses, it seems logically impossible to conflate the concept of market-type optimality drawn from Tiebout's solution to the polycentrists' notion of scale of nonmarket-type production of public good. The latter perspective is too much constitutional, and hence too much epistemically unfounded to be reasoned by economic terms. It seems that Tiebout and the polycentrists share the object of their theoretical inquiries, governing metropolitan regions, but, they provide for us with the two different paths of reasoning on the production problem of public good for these specific polities. In addition, Ostrom, Tiebout and Warren do not deal with the problem of internalization of indirect consequences possibly 'stemming from the production of public goods.' No comments on this particular theoretical problem makes their inquiry more or less incomplete.

III. Possibility of Substituting TRP with NRP

As we have seen, the two notions in NRP must be separately comprehended with critical demarcation between market-type and nonmarket-type production of public goods. The former firmly depends various meanings of its propositions on the foundational assumptions of public choice and property rights school

of thought, while the latter shows a radical detachment from them particularly in theoretical terms. That is, in 'Theoretical Inquiry,' polycentrists posit the two fundamental concepts of public good and production scale for such good that are anything but foundationally dependent on core assumptions of Economics. If New Reform Perspective entails a singular theoretical position within its perspectival tenet, as Lyons and Lowery presuppose, it should be able to answer to the serious question about such a wide cleavage between the two primary sources.

On the other hand, Wilsonian tradition of conceiving Public Administration still shows a dramatic consistency within its own conceptual scheme. Emphases on application of policy decisions, detailed execution of plans and importance of choice of special means made by administrators are significant enough to deliberately conceive a form of autonomous administration as a specific delineation in the complex functioning of modern governments. Today, Wilson's vision of Public Administration is getting more and more sustainable in that governmental activities or the production of public goods based on pure economic reasoning is losing their grounds. It seems to me that economic foundation in NRP is short of a moral preparation for substituting TRP because of the former's internal incoherence in its theoretical positioning. Moreover, the polycentrists' intellectual challenge to TRP does not show a strength because of its own theoretical incompleteness regardless of its seeming detachment from the foundational statements of Economics. Also, we have to further inquire whether its primary interests are too constitutional to be administrative, keeping in our minds the real Wilsonian distinction between constitution and administration.

■ References ■

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