Reforming the French State
New Public Management and its limits

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Paper Presented to the Workshop on Administrative Reform, Democratic Governance, and the Quality of Government

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This paper proposes a case study of state reform (and resistance to reform) in a precise state context: that of France. Whether in terms of citizenship, state-group relations, elitism or territorial administration, France has often been seen to represent a statist pole amongst European states. In central-local relations, Page (1991) distinguishes countries with Napoleonic traditions like France, Spain and Italy, with their strong states and weak local government from the functionally stronger local governments in states like Sweden and the UK (Page 1991). Comparing state-group relations, Grossman (2007) also places France in the statist camp, opposed to the neo-Corporatist northern states and the pluralistic UK. Writers such as Schnapper (1994) celebrate the egalitarian ethos of the French Republic, guaranteed by a benevolent state and a strict dichotomy between public and private, while raising alarm about the dangers of the Anglo-Saxon communitarian model. In contrast with the Anglo-Saxon pluralist and rational choice or German corporatist traditions, much French public policy analysis was traditionally state-centric in its focus. Representations of the strong state focussed upon the ambitions of an activist state in industrial policy (Cohen, 1996), on the role of a French model of state elitism (Crozier and Tillette, 2000, Kessler, 1986), on the enduring centrality of the state in the French model of territorial administration (Mabileau, 1991, 1997) or on a French model of state-favoured sectoral corporatism (Jobert and Muller, 1987). In each of these areas the ‘strength’ of the state has been challenged over the past two or three decades, but the conceptual lens remains state-centric. The quest for overarching regulation and the reconceptualisation of a coherent centre describes well the reactions of leading French political and administrative actors to many of the challenges faced by contemporary France.

On the other hand, in many respects, understanding governing as governance in France is no different from observing interactions in comparable European countries. The alternatives to context-specific accounts are those that emphasise general trans-national trends such as those of Europeanisation, globalisation and convergence (Bennett 1991; Held and McGrew, 2003). In some accounts, European countries are converging under the impact of the common pressures of globalisation, Europeanisation, post-materialism and pan-global technical expertise (Loughlin, 2004). The convergence perspective is strengthened by globalisation, hyper-globalists argue, that tends to force all countries to adopt the same or similar policies (Clift, 2003). Free capital flows limit the ability of countries to undertake protectionist industrial policies (Kjaer, 2004). If in most accounts convergence is economically driven, converging pressures can spill over into mimetic political and institutional behaviour. There is a tendency for similar countries to imitate each other’s institutional arrangements and behaviour. The pooling of resources in international organisations such as the European Union produces a narrowing of national viewpoints and there is a spillover effect into domestic governing arrangements (Di Maggio and Powell, 1991). Political systems are not hermetically sealed entities. As systems influence each other, we can never be sure what is systemic and what results from trans-national diffusion (Dogan and Pelassy, 1990). The ideational version of
convergence takes the form of benchmarking, of imposing ‘best practice’ on a trans-
national basis. In the European Union, the Open Method of Co-ordination gives an
institutional basis to informal pressures being brought to bear upon member-states to
conform to ‘best practice’ in areas such as employment policy (Dehousse, 2004, Surel,
2000).

Understanding contemporary governance, in France and in Europe, requires us to reflect
about the nature of the contemporary state. From a political economy approach, Jessop
(2007) identifies a transition from the Keynesian Welfare State to the Schumpeterian
Workfare State as the principal consequence of the shift to a post-Fordist economy since
the 1970s. The function of the Schumpeterian Workfare State is to support the market
and to create the conditions for innovation and enterprise in relatively open and
competitive economies. The core decisions in economic policy are no longer decided at a
national level, but are international or global in nature. The State is unable to deal
effectively with the global or local demands that this new imagined economy requires.
Weakened to the core of its capacity, the state is forced to imagine new solutions for
governing national societies, most notably through new forms of central steering that
involve the state sharing responsibilities with non-state partners in policy networks and
adapting traditional methods of public administration to international norms of new
public management. Though state capacity has weakened, the national state remains the
level of regulation for welfare and social policy, hence it has to imagine innovative
responses to solutions it can not resolve by itself (Levy, 2006).

In this paper, it is argued that the metaphor of the hollow state underplays the efforts
undertaken by central governors to build state capacity, to invent new forms of political
steering and to discover new activities. The state capacity argument centres on the
proposition that there has been a ‘shift in the purposes and modalities of contemporary
state intervention’ (Levy, 2006). Though globalisation is usually considered to weaken
the state, it can also create new opportunities for state interventionism. Global markets
require strong regulatory states, able to ensure that rules are respected, that commitments
entered into are delivered, that the rules of market competition are fair. International
investors possess limited local knowledge; hence need to rely on high standards of
corporate governance that are ensured by state activity. In developed countries there have
been moves to prevent insider trading, standardise accounting procedure, to enhance
transparency and discipline. The regulatory hand of the state has been strengthened and
the state has introduced itself into the most private affairs of multi-national firms. The
most neo-liberal economies have arguably strengthened the state at the expense of
societal networks, the case for post-Thatcher Britain in particular. Strong states are
needed to control public expenditure, rein-in local authority spending, create targets for
performance. Even in areas of deregulation – such as telecommunications – the state has
had to act in a regulatory sense to ensure that the rules are respected. The US and EU
have had to develop new regulatory capacities to ensure equitable competition.

Extending our discussion to public administration, new policy instruments, management
reforms or delegation to lower echelons of public administration are designed to enhance the productivity of the state and restore capacity to it. The modern regulatory state ensures compliance with its directives through standard setting, performance indicators and the oversight of a growing number of semi-independent agencies. The regulatory state itself is regulated in most of its fields of activity by the European Commission, the European Court of Justice, the European Central Bank and associated EU-level agencies. The regulatory mode of governance is the prevalent form in the field of competition policy, the environment, technical standards or banking in particular. In theory, regulation can replace orders by recommendations and is more accommodating of forms of soft law. In practice, the distinction between hard and soft law is not always easy to maintain. New public management falls squarely in the middle of these debates about policy and institutional convergence and the survival of national administrative and political traditions. Our discussion of NPM reveals in particular a tension between understandings of appropriate behaviour by state officials and injunctions in favour of state productivity by central governors.

These contrasting perspectives, that might be summarised rather crudely as the strong state versus convergence, provide a dynamic tension. The position adopted in this paper is, in most respects, an intermediary one, best understood as one of bounded governance. Bounded governance is predicated upon the loosening of older forms of vertical command, on the weakening of traditional models of stato-corporatist regulation and on the creation of a porous institutional and ideological environment that is more welcoming to endogenous innovation and externally driven changes. The French polity has mutated under the combined impact of internal and external pressures for change. Complex legal orders and interdependent relationships lay bare traditional beliefs about the supremacy of the state. The state itself now emphasises its own productivity as the key to future prosperity. Multi-level dynamics and the requirements of multi-actor coordination create new challenges for actors vested with public authority. The operation of the international political economy has produced metaphors of a hollow state that go to the very heart of the French statist model.

Comparing French-style governance with that of similar countries involves conceptualising degrees of (discursive) difference. There are dangers with attributing mechanical effects to movements such as Europeanisation, globalization, or even new public management; these constructions are interpreted and mediated in different ways in specific contexts, whether that context be organisational, sectoral or the form of the state. Policy-making takes place within a realm of discourse, a system of ideas and representations that is comprehensible to the actors involved (Muller, 2000, 2005). Convergent pressures are mediated in ways consistent with prevailing ways of understanding the world. Herein lays the importance of the French case study. In the largely constructivist French political science tradition, writers such as Rouban (2003) emphasise that a convincing discourse is needed to legitimise state reform in France, a discourse that is consistent with pre-existing ideational frames and institutional orders. Yet, as the following examples demonstrate, there is no commonly accepted overarching
référentiel, or framework of ideas in the field of state reform. State reform programmes in the field of administrative modernisation and budgetary reform each illustrate an important dimension of governance in France: the attempt by governmental elites to redefine the core of state activity to give a strategic sense to the centre under threat. The evidence presented in the final section, on the other hand, suggests strongly that State reform programmes need to integrate middle ranks of the bureaucracy if they are to be successful.

**A Background to the French Administration**

In textbook presentations, the French administration is traditionally characterised as a centralised and hierarchical system that embodies the power and legitimacy of the French state and the general interest of the nation as whole (Stevens, 1996). It has its origins in the Napoleonic model of administration which intervened in all aspects of the socio-economic life of the French nation (Knapp and Wright, 2001). The organisational structure of the French administration is primarily constituted of the central Ministries in Paris and their field services situated in the 22 regions and 100 départements. The traditional mode of operation was for the central Ministries to prescribe the policy objectives and the means by which these were to be achieved whilst the field services were expected to apply these centrally devised directives to their respective local environments (Jones, 2003). This hierarchical mode of relations is informed by senior civil servants who view their elitist education at the École Nationale de l’Administration (ENA) and technical expertise¹ as exclusively qualifying them to define the general interest that provides the basis for state activity (Rouban, 1995, Eymeri, 2003). Such an elitist perspective makes senior civil servants distrustful of and distant from officials working in the field services.

The French administration is underpinned by a strong legalistic tradition which informs the functioning of the administrative system and influences the behaviour of its officials in terms of defining their rights and obligations (Clark, 2000a). In this way, the legal framework promotes a distinctive French notion of public service through requiring such services to be comparable and of equal standard, irrespective of the locality in which they are delivered (Clark, 1998). Regulatory controls are applied to ensure public services are delivered in accordance with administrative procedures. These controls are applied through dual processes of regulation carried out by inspectorates² and a system of administrative and financial jurisdiction, overseen by the Court of Accounts and the Council of State³. Traditionally, the main purpose of regulatory controls has been to ensure compliance with administrative procedures rather than contributing to any assessment of actual performance of the French administrative system in terms of its productivity and cost effectiveness (Stevens, 1996).

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¹ Recruitment to the top administrative positions is through one of the elitist training schools such as ENA (National Administration School), created in 1945.

² Two of the most prestigious inspectorates are the General Finance Inspectorate which audits the expenditure of public monies in any administrative body and the General Inspectorate for the Administration which is charged with monitoring the activities of the central Ministries and Prefectures.

³ The Court of Accounts is responsible for verifying the expenditure of public funds and for ensuring that public bodies are working in accordance with financial and accounting procedures. The Council of State comprises the apex of the administrative court system where both French citizens and public officials are able to seek the right of redress against any administrative decision.
The French notion of *service public* also informs the terms and conditions of public officials as set out in the civil service code created in 1946. The statute seeks to ensure that the terms and conditions of service for officials are equal and comparable across the French administrative system. In terms of their obligations, four key principles underpin the status and public duty of an official (Rouban, 1994; Delblond, 1994): the requirement for officials to carry out those responsibilities assigned to their post; an expectation to comply with the orders of their managers unless such orders are perceived as illegal or contrary to the public interest; a prohibition from holding more than one public sector post or from holding any position in the private sector; and ensuring that their behaviour away from work does not undermine the reputation of their administration. From this perspective, the notion of public service provides a ‘logic of appropriateness’ for the organisational behaviour of officials in discharging their responsibilities (Clark, 2000b).

For public officials, career structure is characterised by the separation between the rank held and the post that (s)he occupies within the administration. Each public official belongs to a corps which will entitle them to carry out a range of roles at different hierarchical levels. As an official is recruited to a particular rank within the corps rather than a specific post, promotion is based on rank held and seniority. A consequence is to induce a strong corporate identity which translates into officials being more loyal to their corps than to their respective government departments. Such a system lends itself towards conservatism and constitutes an obstacle towards any move towards performance related pay or targets. A further element of conservatism is the public sector trade unions who have sought to vigorously defend the traditional French notion of public service in terms of it informing the working conditions of officials. This has necessitated successive French governments having to proceed cautiously when considering proposals to revise terms and conditions of employment (Claisse, 1993; Chevallier, 1996).

Since the 1980s, the French administration has been subject to a variety of pressures which have presented challenges to its structures and procedures. The effects of Europeanisation and closer European integration have led to the European Union (EU) emerging as a key reference point in policy making to the detriment of senior public officials. With subnational levels being viewed as appropriate distributive points for EU funding, momentum has been generated for additional autonomy to be transferred to local levels, particularly the regions. Furthermore, the drive to achieve the convergence criteria for European Monetary Union (EMU) necessitated cost saving measures across the French administration to reduce public expenditure. The overall impact of Europeanisation has, therefore, been to pose a serious challenge to the French public policy model (Muller, 1992). The 1982-83 decentralisation reforms constituted a second key pressure on the French administrative system. The reforms delegated greater autonomy to the regions, *départements* and communes. As a result, the local policy making system became a more pluralistic system with local authorities now having greater initiative and more autonomy regarding policy making at this level (Duran and Thœnig, 1996). The effect on the field services was that they now constituted one of
several actors within a local policy network (Cole and John, 2001).

A further pressure for change was a widespread malaise felt amongst public officials. Officials perceived a decline in their socio-professional status due to limited opportunities for social mobility (Bodiguel and Rouban, 1991) and the private sector being seen as a more attractive template to imitate (Chevallier, 1988). Career management structures were viewed as offering minimum incentives to improve work productivity with promotion prospects based on seniority and rank held within the corps rather than actual work performance. The rigidity of the civil service statute was viewed as contributing to low morale due to its operation often resulting in officials acquiring additional responsibilities but still remaining at the same pay scale point (Claisse, 1993). However, changes to the civil service statute or revisions to appraisal that move away from the principle of equality towards one of rewarding individual merit are likely to incur the wrath of the public sector trade unions (Chevallier, 1996). This has probably accounted for why such an item has not featured in administrative reform programmes.

A final pressure has been the influence of managerial ideas and practices associated with the New Public Management (NPM) paradigm on the administrative reform agendas of Organisation for Economic Co-operation and Development (OECD) countries since the 1980s. The attraction of such managerial concepts has been attributed to the financial constraints incurred as a result of the economic downturn in Europe since the 1970s and the subsequent need to contain expenditure (Ridley, 1996). NPM advocates the deployment of private sector practices to improve the efficiency of public administration with a greater emphasis on output and attainment of results rather than an adherence to general rules of procedure, characteristic of the traditional approach (Hood, 1995, 2007). The influence of NPM on the respective reform agendas of OECD countries has led to claims of a new global paradigm in public management in terms of a shift towards a more entrepreneurial model of government (Aucoin, 1990; Osborne and Gaebler, 1992). However, such predictions have been criticised on the grounds that they do not take into consideration a country’s institutional traditions which will determine a country’s receptivity to managerial reform (Ridley, 1996; Wright, 1995). These contrasting beliefs will be ‘tested’ throughout the remainder of this discussion.

**From Administrative Modernisation to the Regulatory State ?**

In one of its narrowest uses, the reform of the State refers to a process of modernisation within the civil service, defined narrowly in terms of central departments, their field services and the processes of management reform therein. The modernisation of the civil service has been a preoccupation of all recent governments. No fewer than eight different reform programmes have been implemented since 1981, with varying degrees of success. It is possible to identify a spectrum of reforms, spanning from ‘soft’ measures to improve user friendliness to much harder attempts to introduce audit, or to change terms and
working conditions of government workers. Reform programmes have usually included reference to ‘modernity markers’ such as evaluation, personnel management, contractualisation and benchmarking (Rouban, 2003). In the soft register, each reform programme has emphasised the need for a more user friendly administration. Thus, a Charter for Public Services was created under Rocard in 1992. Premier Juppé (1995) insisted upon the need to simplify administrative procedures, notably by creating One-Stop Shops (Maisons des services publics) for citizens to deal with the administration. In a major symbolic reform, the Jospin government abolished the Etat-civil in 2002. The Raffarin government (2002-2005) pledged to obtain a better use of human resources and improve satisfaction of users. Civil servants are encouraged to see their role not only as those vested with public authority, but also as efficient service providers. These soft reforms were relatively uncontroversial, real resistance arising when staff terms and conditions are threatened.

Somewhat further along the spectrum, other state reform programmes attempt to influence the behaviour of agents through new forms of dialogue and interaction. The Rocard programme of 1988-89 was the best exemplar of such a programme, relying on mobilising agents in pursuit of collectively defined service goals. The Rocard reform created two new instruments that were meant to empower mid-ranking agents: service plans (projets de services) and cost centres (centres de responsabilité). Service plans involved all staff in ministerial field services in defining key functions and performance indicators by which their action would be judged. By 1991, 470 service plans, which were intended to encourage dialogue within field units, had been signed (Jones, 2003). The cost centre scheme gave lower units more flexibility in staff management, as well as more control over local budgets. Both schemes were voluntary, however, and both met with internal resistance from the middle ranks of the bureaucracy (Cole and Jones, 2005). These voluntary schemes, relying on horizontal co-operation rather than precise statutory obligations, had a limited impact.

There has also been an important territorial dimension to the Reform of the State. Reforms within the state have centred upon the need to ‘responsibilise’ lower political and administrative echelons. Central governments have attempted to transfer more functions to lower administrative units (or to local authorities), closer to the populations they are supposed to serve. The political decentralisation reforms of the early 1980s were in part inspired by ideas of modern management, namely that proximity allows more efficient service delivery (Marcou, 1992). While local and regional authorities were strengthened during the 1980s, the ministerial field services were initially disorientated. Decentralisation was experienced as a zero-sum game by members of the grands corps, by officials of the Interior ministry and within some of the more powerful field services4. Reforms in the state machinery during the early 1990s were intended both to strengthen and make more autonomous the local and regional field services of government departments and to reinforce the capacity of the State on the ground. In the key 1992 reform, the prefect was vested with the role of coordinator of governmental services at the departmental level. In theory, the ministerial field services were now required to

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4 Interviews, 1995, especially in the Regional Economic and Social Council and Regional Prefecture in Brittany.
submit to the co-ordinating role of the prefect, rather than operating as semi-autonomous outposts of central government departments. In practice the field services often retained an independent outlook. Field officials interviewed in 1995 resented the coordinating pretensions of the prefectures. For his part, one regional prefect interviewed in 1995 complained of being ignored by the lead field officials from the Infrastructure ministry on account of their belonging to a separate corps (Highways and Bridges, rather than the prefectoral corps). In this case, membership of a corps dictated ‘appropriate behaviour’, rather than the written rule that prefects are supposed to have a responsibility to co-ordinate all government services on the ground.

The reform of the State refers also to management reforms within the administration. Traditional accounts (Stevens 2003) emphasize the importance of internal controls within the French administration, ensured through a dual process of internal inspection and financial or administrative audit through bodies such as the Council of State or the Court of Accounts. Internal inspectorates in the fields of education (IGEN, IGAEN), social affairs (IGAS) or the police (IGPN) operate a long established form of professional self-regulation that combines corps solidarity with independence. In recent years, formal inspectorates have lost influence to harder edged institutional audits, sometimes carried out by private sector contractors. The principle of audit was promoted robustly by Jean-François Copé, the Minister for State Reform from 2005-2007. During his tenure as Minister, some 127 audits were carried out across a wide range of state activities: from the cost of replacement teaching, through the adult handicap allowance, to the effectiveness of state publishing firms (Guéland, 2007). Seven waves of ‘modernisation audits’ (127 audits all in all) were launched in 2006-2007 on specific issues concerning the functioning of the state or public organisations. They were usually led by a team that included a member of the Financial Inspectorate and members from ministerial inspectorates. As observed in UK, the managerial turn considerably helps controlling bodies to revalue their positions within ministries and to enrich their jobs. Audits were openly discussed in terms of the productivity gains they could produce in the operation of the state. Even the Finance Ministry had to accept a full scale institutional audit by Cap Gemini, a leading auditing firm.

Another indicator of the concern for state productivity is the increasing use of agencies to manage public services, and the principle of the independent administrative authority. The principle of the independent administrative authority is not that new. Since the 1970s, there have been several examples of independent administrative authorities operating alongside the traditional inspectorates (Guettier, 2006). For example, the Ombudsman (médiateur) deals with cases of a breakdown of relations between individual citizens and the administration. The CNIL (Commission Nationale de l’Informatique et Liberté) oversees the rights of citizens to access computerized data held upon them and the CADA (Commission de l’Accès aux Documents Administratifs) performs a similar role with respect to administrative documents. Created under the Socialists in 1982, the

5 Interview with a regional prefect, 1995

6 Interviews with the Evaluation division, and within the educational inspectorates (IGEN and IGAEN) National Education ministry October 1999.
CSA (Conseil Supérieur de l’Audiovisuel) was created to ensure the political autonomy and neutrality of public service broadcasting. The CSA supervises the audiovisual media, safeguards (in theory and usually in practice) against abusive intrusion from the state and generally ensures fair access for France’s political parties. The COB (Commission des Opérations de Bourse) polices the operation of the stock market and aims to combat insider trading (Stevens, 2003, Jones, 2003).

A wave of more muscular, competition-minded agencies emerged in the 1990s, driven in part by the requirements of EU competition policy. The ART (Agence de la Régulation des Télécommunications) provides one example that, contrary to many expectations, has presided over the almost complete liberalisation of the telecoms market. In the field of food safety, AFFSA (Agence Française de Securité Sanitaire des Aliments) has shown itself to be an organisation resolutely independent of political pressures. Under the 2002-2007 government, there was a noticeable acceleration in the rhythm of creation of new agencies and, above all, a shift in the nature of the agencies created. There was, in particular, a rapid expansion in the number of agencies in the broad field of spatial and territorial policy, specifically in the areas of urban and rural regeneration (ANRU - Agence Nationale pour la Rénovation Urbaine), industrial innovation (AII - Agence d’Innovation Industrielle), transport (AFITF - Agence de Financement des Infrastructures de Transport de France), social cohesion (ANCS - Agence Nationale pour la Cohésion sociale) and research (ANR - Agence Nationale pour la Recherche) (Epstein, 2005, 2006, Guettier, 2006). Agencies are created by legislative or administrative act. They are national in their scope and often guaranteed a high degree of organisational autonomy. They use new techniques and policy instruments to achieve their objectives, notably tendering (appels d’offres), monitoring and performance indicators (Bureau and Mougeot, 2007). On the other hand, there is no single agency model of governance; the 100 or so agencies that currently exist are regulated by different legal statutes, with more or less operational autonomy from government (Guettier, 2006).[8]

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7 This trend has imitated that of the EU itself. In the first pillar, there are now 21 agencies, with specific legal tasks. There are three each under the second and third pillars.

8 What’s a name? Most ministries have technical services that carry the name agency, but they do not have their own legal character (régie directe). Many agencies are semi-autonomous bodies, organised as établissements publics with their own moral personality and financial autonomy, but dependent upon a specific ministry. A number have the legal status of partnerships (groupement d’intérêt public - GIP). The GIP is a formula that allows the development of partnerships between public and private actors that manage services. The GIP is an alternative to the 1901 association format, regularly criticised by the Court of Accounts. One of the lead agencies to be organised thus is the ARH, created by decree in 1996 to take over functions previously exercised by the health branch of the social security and the prefectures. According to Guettier (2006), there is only one independent administrative authority, the Research Evaluation Authority (Agence d’Evaluation de la recherche et de l’enseignement supérieur).

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The growing delegation of regulatory tasks to semi-independent agencies represents an important break with French administrative traditions of uniformity, hierarchy and clear bureaucratic chains of command. French public administration has moved closer to European norms, to the mode of agency governance preferred by the European Commission itself for many of its activities. This development brings France much closer to the new public management norm than previously. There are echoes of UK style NPM in the definition of national targets (rather than their co-production by social partners), in the principles of agency monitoring, and use of the nationally defined performance indicators that have replaced softer notions of pluralistic self-evaluation (Fontaine and Warin, 2000).

The logic of technical choices: policy instruments and the regulatory state

The debate in France over policy instruments and the regulatory state follows naturally from the previous discussion. Lascoumes and Le Galès (2004) situate the revival of interest in policy instruments in part as a rediscovery of Max Weber and Michel Foucault. Weber emphasised the importance of legal-rational forms in modern bureaucracy and referred to the techniques of government as hidden forms of domination. Foucault, in his works on power, insisted on the importance of technical procedures in the broader process of the study of government. An emphasis on policy instruments fits in well with the direction of debates on new public management that have become omnipresent in public administration and management studies (Hood, 2007). It is also a central component of new institutionalist thinking, especially that of Peter Hall (Hall, 1993). In his classic formulation, Hall distinguished between policy goals, that remain relatively stable over time; and the techniques or policy instruments used to attain these goals, which are more amenable to change. Policy instruments are technical rules, norms, organizations or procedures. Particular instruments are created because it is assumed they will produce certain effects: for example, removing areas of inflationary expenditure from local or even national government. The focus on the technical qualities of instruments suggests processes of automatic government, of removing areas of public policy from political oversight and democratic accountability (Weaver, 1988). Apparently technical choices can be highly political and can tie in future generations to initial choices (Pierson, 2000).

In the French regulatory state, as elsewhere, the choice of specific instruments can provide a means of sidestepping established interests and introducing new organizational and management ideas that are unlikely to be embraced by established networks. Though the debate on instruments allows for a plurality of organisational forms, new instruments are usually associated either with France’s European and international obligations (in the case of monetary policy, for example) or with domestic ‘neo-liberal’ policy choices. Sometimes new organizations are imposed on the French government by pressures from EU partners and institutions. Thus, the model of the independent monetary authority that has accompanied the introduction and management of the Euro was not an initial French
preference and has caused ongoing difficulties (Butzbach and Grossman, 2004). The principle of the Open Method of Coordination enshrined in the Lisbon summit in 2000 has similarly been experienced as a constraint (Dehousse, 2004). The numerous semi-autonomous agencies that were created during the 2002-2007 period, on the other hand, can be interpreted in terms of central state actors devising new forms of central steering. These new instruments are the organisational form of the regulatory state.

**Budgetary reform and the LOLF: a Case Study of New Public Management?**

Budgetary concerns have always featured prominently in discussions of state reform. One account describes efforts to reform the State after 1983 as part of the general effort at budgetary restraint imposed upon France’s Socialist rulers. Budgetary cutbacks introduced by the 1981-86 government encouraged “a move away from the traditional quantitative approach of seeking growth in the public sector to a qualitative strategy that emphasised the most efficient use of existing resources”. (Jones, 2003: 54). If the budgetary constraint is always present in the background, it was given a new saliency in the early 1990s, as a result of a deteriorating external context, and strategic opportunity taking by a coalition of economists and liberals at the heart of the state. The backdrop was one of budgetary crisis. In the early 1990s, the budgetary deficit began to spiral out of control, doubling from 1991 to 1995 (Bézès, 2006). Respecting the Maastricht convergence criteria was a political imperative for the French government, which came under external pressure to reduce spending in order to join in the single currency. The internationalisation of the French economy, and free capital flows from 1990 made the French government much more dependent than ever before on international money markets.

The key players in the process of budgetary reform were the budget division of the Finance ministry, expert advisors in and around the Prime Minister’s office under premiers Balladur and Juppé and a cross-partisan alliance of parliamentarians operating through the National Assembly’s Finance Committee (Bézès, 2006, Siné, 2006). The Picq report of 1994, prepared for Balladur, represented a landmark document, which provided the inspiration for Juppé’s reforms and thinking. Under Juppé’s service contracts scheme (1996), ministerial divisions were obliged to sign contracts with the budget division, setting out precise targets. These contracts combined greater financial autonomy for government bureaus, with more rigorous target setting and control. The LOLF, considered in some detail below, was the most complete version of this.

The budget division acted as a political entrepreneur. It explicitly sought to link budgetary reform with value for money, the general introduction of performance indicators and a more efficient use of public resources. It openly advocated neo-liberal managerial reforms and referred to new public management as a means of rethinking the role of the State to take into account economic, institutional and territorial transformations. The use of budgetary policy instruments enhanced its own claim to pilot
the reform of the state. Its success in agenda-setting was only assured, however, because a cross-party group of deputies in the French National Assembly argued strongly that government should be more responsible to parliament for its expenditure. Hence, the concerns of public management and political accountability converged. The Loi organique sur les loi de finances (hereafter the LOLF) was voted by an overwhelming majority of both houses of the French Parliament in June 2001 and approved shortly after by the Constitutional Council (Vallement, 2004, Bouvier, 2003). This show of quasi-unanimity, rare in the annals of French politics, survived the change of government in 2002, and testified to a broad-based, cross-partisan commitment to change.

The new budgetary law has been operational since January 1st 2006. The LOLF repealed the ordonnance of 1959, which had provided a set of strict – and from a parliamentary perspective draconian – rules throughout the Fifth Republic (Feller, 2006). The main principle of the 1959 ordonnance was that parliamentarians could not propose any amendments that would increase public expenditure. Deputies were, in effect, invited to approve or oppose the budget en bloc. Under the old procedure, deputies were asked to approve the recurrent expenditure of all ministries (the services votés, 90-95 per cent of the total budget) in one vote. There was little evaluation of either policy objectives, or expenditure incurred. The image of cloissonnement within the French administration was derived, in no small part, from the existence of up to 850 separate budgetary lines, with limited possibilities of transfers across budgets, a situation producing bureaucratic rigidities, turf wars, budget maximizing reflexes by bureau chiefs and a total lack of parliamentary oversight.

A new regime has been in operation since January 1st 2006. Under the new regime, budgetary means are allocated to Missions and Programmes, rather than ministries. Where there used to be 850 budgetary lines, generally corresponding to divisions within ministries, there are now 40 missions and 132 programmes that can cut across departments. The missions are broad areas of public policy. Each mission is supposed to cover a distinct public policy – for example Research and University Higher Degrees - rather than a whole government department such as Education. Missions usually cut across government departments: in the case of Research and University Higher Degrees, Education manages six of the 13 programmes. One department is recognised as the lead ministry, however, and takes in charge the programme budget.

Ministries have far fewer missions than they have administrative divisions: in Justice, Culture or Education there are henceforth only three main Missions. Below the Mission, the core unit of budgetary accounting is henceforth the programme, much broader than the budgetary chapters they replace. The programmes are headed by new officials, the Programme Directors (responsables du programme), far fewer in number than the existing divisional heads (directeurs). The divisional heads are, as a group, weakened under the LOLF, since only the Programme Directors are vested with hierarchical authority over a programme. The operator of a public policy does not necessarily respond to a pre-existing position within the civil service hierarchy.

9 The Services votés concerned salaries, pensions, and reimbursement of the public debt.
Each programme also has its own operating budget (budget operationnel du programme – BOP). The Programme Directors have much greater leeway to manage budgets in accordance with their declared strategic aims. Whereas the boundaries between budgetary chapters used to be watertight, there is now greater latitude to transfer funds between categories of expenditure within programmes (for example operations, investment and intervention). The key principle is that of asymmetrical ‘fongibility’. Credits earmarked for staff costs can be transferred into non-staff items, but the reverse is not true: transfers from non-staff items can not inflate staff budgets. As personnel costs represent 44% of the public sector budget, the implication is that staff cuts can produce margins for other purposes, a clear affirmation of the productivity imperative.

Even before Sarkozy’s election as President and the commitment not to replace one retiring civil servant in two, there was broad acceptance that the size of the public sector deficit could only be reduced by trimming the number of public sector employees. Not only does the LOLF provide incentives for officials to reduce staff costs, but the new budgetary law threatens the role performed by the corps in civil service recruitment. The 1959 ordinance delegated the responsibility for recruiting new members and career management almost entirely to the corps, the budget announcing annually how many new posts they were allowed to recruit. The LOLF, in theory, changes radically the rules of the game. The budgetary law establishes the dual principles of the salaried mass (masse salariale) and full-time equivalent jobs (FTEs), which cover all jobs, including part-time and contractual ones. The FTE mode of calculation can allow ministries to shift jobs between corps and grades without having to get the express approval of parliament, as under the old regime. The FTE calculation also gives more flexibility for part-time and contractual arrangements (Chevallier, 2006). Enhancing state productivity can also explain the introduction by the LOLF of a new accountancy procedure designed to bring the management of the state’s budget much closer to the norms operated in the private sector (Feller, 2006).

A number of in-depth interviews in 2004 and 2005 allowed invaluable insights into the preparations for implementing the LOLF across a range of ministries. In these interviews, the author set out to investigate how a sample of different ministries – Interior, Finance, Defense, Education and Culture – were planning to cope with the introduction of the LOLF. A number of key findings emerged from these interviews. The LOLF is potentially important at several levels. First, in terms of the functioning of France’s political institutions, the LOLF held forth the promise of a return to a functioning parliamentary democracy and an increased parliamentary oversight over the budget. Second, in relation to the daily functioning of the governmental machine, the LOLF introduced principles of (new) public management that its supporters argued would revolutionise the functioning of public administration. Third, the implementation of the LOLF would have an impact upon the internal administrative organisation of most ministries. Fourth there remained many unanswered questions, both in terms of potential unintended consequences and healthy skepticism about the degree of change the LOLF
would bring about.

The first dimension identified was that of enhanced parliamentary oversight. Under the LOLF, government departments have to present much more detailed accounts to Parliament. The National Assembly has to approve each of the 132 programmes, based on detailed appraisal of objectives and performance indicators. Increasing parliamentary oversight over the budgetary procedure was an explicit aim of the framers of the LOLF, including deputies and senators from left and right. Deputies would henceforth vote programmes clause by clause. Each programme would be accompanied by a document explaining precise objectives in areas such as road security, tax collection, territorial planning or primary education (to take four programmes at random). Whereas under the 1959 ordonnance the government could raise more money simply by issuing a decree or by annulling voted credits, henceforth the Assembly would have to approve any departure from the agreed expenditure. One senior civil servant identified a ‘sea change’ in patterns of French governance: ‘the LOLF introduces face to face contact for the first time between the civil servant and the parliamentarian’. 10 While officials had been able to hide behind ministers, they could now be directly accountable to parliamentary committees. Moreover, their carefully prepared budgets could be modified by parliamentary intervention, something previously extremely unlikely. On the other hand, most officials interviewed thought it rather unlikely that deputies would become budgetary zealots.

The second dimension identified above was that of new public management. Its main supporters saw in the LOLF a means of introducing ‘real new public management’ into the French administration. 11 The LOLF requires a clear statement of the aims and objectives of each programme and the publication and approval of a set of performance indicators. One interlocutor emphasized how difficult ministries found the task of defining strategic priorities. 12 The type of performance indicator varied according to the programmes delivered by a specific ministry. In the case of the Justice ministry, for example, the indicators included the number of provisional incarcerations, the levels of suicide or the educational opportunities provided for inmates. In the case of Defence, the LOLF forced the ministry to define precise performance indicators for the first time, ‘quantifiable objectives such as the number of training days for the army, flight times for the airforce or submarine manoeuvres for the navy’. In the Education ministry, there were three broad missions (Teaching, Higher Education and Research, Youth and Sports),

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10 Interview, budget division, Finance ministry, July 2005.

11 Interview, budgetary reform division, Finance Ministry, July 2005

12 My interlocutor within the budgetary reform division expressed it thus : ‘There have been very few texts to accompany the implementation of the LOLF. The other ministries have criticized us for this. But we answer always the same thing: you need to reflect about the goals of policy and imagine what strategies need to be put into place to achieve these, then the indicators will come naturally’.
twenty programmes and several ‘actions’ under each programme, each of which is accompanied by precise performance indicators. Though resources can not be transferred between programmes (between Teaching and Higher Education) they can within programmes (between primary and secondary education).

The third dimension identified above was the impact of the LOLF upon the internal organization within ministries. The LOLF represented a major threat to existing organizational charts in every ministry. The first threat was to the position of divisional head (directeur), the cornerstone of French public administration. There would be a new hierarchy between those divisional heads who headed a Programme (hence with their own budget) and those who did not. While there are 132 Programme Directors, there are over 400 divisional heads, not to mention the bureau chiefs and other lesser functionaries. As well as affecting grades of official, the LOLF would also have an impact upon the survival of some existing bureaucratic units. In some departments, the logical effect of the LOLF would be to merge bureaucratic divisions, while in others it could have the reverse effect. In the Finance ministry, two examples illustrate the contrasting effects of the LOLF were it to be applied logically. The Finance ministry identified Tax Collection as a single mission. Traditionally, this function had mobilized two rival divisions: the General Taxation Division (Direction générale des impôts – DGI) responsible for determining levels of taxation and the Public Accounts Division (Direction de la comptabilité publique – DGCP) in charge of collecting taxes. Attempts to merge these two divisions into one in 2000 badly backfired, producing strikes, a ministerial u-turn and the resignation of Finance Minister Sautter. The introduction of the LOLF once again put these two rival divisions under pressure to agree to a merger. In another part of the Finance ministry, however, the LOLF ought logically to have the opposing effect, challenging the survival of the Customs Division, a single corps with a 250 year old history. In the opinion of one interlocutor, ‘the Customs Division (direction des douanes) employs 18,000 people with two distinct functions: collecting taxes on petrol and cigarettes; and ensuring the functions of security and police. The logic of the LOLF is that we separate out these two functions, but there is much resistance to this’.

In other examples, a Mission can cut across the formal boundaries between departments, as in the case of the police and the gendarmerie. The Mission of Security covers the Police (part of the Interior ministry) and the Gendarmerie (under control of the Defence ministry). In this instance, the mission is cross-ministerial and brings together within the same structure two rival corps with a long history of rivalry. There were bound to be conflicts, with Interior likely to win out at the expense of Defence in the opinion of one interlocutor. The example of the Defence ministry also shows how there could be winners and losers within the same ministry. The Chief of Staff (chef d’état major) would now head a Mission and have hierarchical control over the heads of the army, navy and airforce. Though the service chiefs would themselves be Programme Directors, in charge

13 The Teaching mission, for example, has five programmes: primary schools, secondary schools, agricultural schools, private schools and pupils.

14 Interview. Interior ministry, July 2005

15 Interview, Interior ministry, July 2005
of vast budgets, the Chief of Staff would centralize most administrative, financial and operational resources at the expenses of the heads of the army, navy and airforce. For the first time there would be an ‘explicit vertical hierarchy’.  

Finally, some of the more extravagant claims about the likely effects of the LOLF appear unfounded, or at least difficult to falsify. Predictions that the LOLF will lead to a rediscovery of parliamentary institutions are optimistic: the Fifth Republic remains an executive-dominated system and the executive retains a battery of instruments to force reluctant deputies into line. That parliament no longer automatically approves the services votés does not mean that ‘annual expenses’ will disappear. Most public expenditure will continue to be spent on salaries, pensions and the reimbursement of public debt. Predictions about the evolution of the Court of Accounts into a French-style Audit Commission also appear somewhat far-fetched. Under article 47 of the 1958 Constitution, the Court is ultimately subordinate to the government of the day, which routinely ignores its reports. Most of all, to make a success of the LOLF presupposes a perfect implementation model. There was a great deal of scepticism amongst interviewees that civil servants would move from a resource-based culture to one based on results overnight. The LOLF was very likely to meet ongoing resistance. Its success depended upon civil servants feeling themselves to be deeply involved in new projects. Taken literally, the LOLF threatened to break apart the system of corps that goes to the heart French public administration, a situation not likely to be tolerated by these powerful networks within the state. Above all, there were no sanctions for non-compliance: in the expression of one interlocutor, ‘at the end of the day the LOLF is completely silent about positive or negative sanctions’.

The Logic of Appropriateness against New Public Management?

Any analysis of state reform would be incomplete without reference to the perceptions of professional duty by those who are directly employed as civil servants. As developed by March and Olsen (1989), sociological institutionalism places emphasis not only on the importance of rules, procedures, strategies and conventions but also upon the beliefs, paradigms, codes, cultures and knowledge that give meaning to these rules. Through operating within institutions, actors are imbued with symbols and belief systems. Public officials act upon their perceptions of what is the correct code of behaviour. Sociological institutionalism thus frames institutions in terms of the belief systems of actors, considered as members of a profession/corps/grade, rather than as utility maximising individuals as in rational choice theory. Its underlying assumption is that individuals within organisations are conservative, fearful of change and resolute in defence of their interests. In a number of accounts, French civil servants are especially portrayed as being prone to rule-driven behaviour and strongly influenced by a legalistic culture (Grémion, 1979; Padioleau, 1982; Wright, 2000; Knapp and Wright, 2001; Stevens, 2003). Vested with a belief in their public service mission and their role as guardians of the rules,
French officials will only ‘break the rules’ in order to provide better services for citizens (Dupuy and Theonig, 1985) or to increase their bargaining resources within an organisation (Crozier and Friedberg, 1977). The bureaucracy sometimes functions efficiently only because rules are not enforced, but maintaining the fiction of rule based treatment for everybody is a core belief.

Notions of appropriate behaviour provide important insights into the resistance to change demonstrated by public sector workers and at the middle levels of the bureaucracy. Changes in terms and working conditions have run up against stiff opposition from agents. There have been many examples of unsuccessful reform attempts by ambitious ministers. Premier Juppé’s attempts to reform the employment statutes of public sector workers provoked mass strikes in November-December 1995 that brought the country to a standstill. More recently, premier Raffarin’s attempt in 2003 to equalise pension provision between public and private sectors provoked a furious backlash from the public sector trade unions. In between these two examples, the Jospin government (1997-2002) provided some excellent examples both of the scope of reformist ambition and the meagre results achieved. If the implementation literature in public policy tells us anything, it is that mid-ranking civil servants, professionals or public sector workers are strategically well positioned to block reforms of which they disapprove.

The key to understanding this resistance to change might lie in penetrating the cognitive worlds of specific professional groups. Rouban (2003) argues that public sector workers in France have reacted against what they perceive to be challenges to their professional ethic, based on a history of self-regulation. Successful reforms need to be compatible with the prevailing self-representations of professionals. The most successful changes in behaviour have occurred when reforms were perceived to be consistent with existing professional practices, the case for the Armées 2000 programme within the Defence ministry (Rouban, 2003). But, as a general proposition, there is little appetite for change and no social demand for the reform of the state. The politicisation of public sector workers has accompanied attempts to change working conditions, symbolised by the rise of radical unions such as SUD, or the high incidence of strikes in the SNCF. Public sector workers were attracted in large number to candidates of the extreme left in the 2002 and 2007 elections and featured overwhelmingly in the No camp in the 2005 referendum on the draft Constitutional Treaty (Perrineau, 2005, Hainsworth, 2006). The capacity for resistance of public sector workers has been greatly weakened, not least as a result of the part-privatisation of former public firms such as France-Telecom and EDF. Public sector unions are no longer the powerful veto players they once were. But union opposition constitutes a formidable reminder of the contested nature of state reform and the deep opposition to the withdrawal of the State from mobilised groups of workers. And the appeal of service public goes well beyond the ranks of the public sector workers, explaining the high level of public support for what appears on the surface as rent-seeking behaviour by public sector unions.
The case study of public service reform undertaken by Jones (2003) is suggestive not only of the resistance of some public officials to processes of state reform, but also of the need to engage in fine grained empirical comparisons to be able to generalise. The terms and conditions of service of public officials are enshrined in the civil service code, Statut général de la Fonction publique, created in 1946 (Clark 2000b, Jones 2003). The code outlines the process by which an individual can become a public official, as well as stipulating the terms and conditions of service once that status has been acquired. The civil service code embodies a logic of appropriateness for the organisational behaviour of officials in discharging their responsibilities. It provides a codified charter that, in theory, protects civil servants and requires governments to proceed cautiously when considering proposals to revise the terms and conditions of service of public officials (Claisse 1993, Siwek-Pouydesseau 1996, Chevallier 2003).

On the other hand, the French administrative system is so fractured into rival corps, divisions and ministries that it is unlikely that French civil servants as a group are imbued with a single ‘logic of appropriateness’ (Bézès, 2000, 2006). One of the key criticisms of sociological institutionalism is that it is difficult, if not impossible, to falsify. An alternative approach is to test when the argument of ‘appropriate behaviour’ is used to frustrate change and when it is not. The key to understanding how to do this lies with another strand of the new institutionalist literature, which identifies the degree of penetrability of organisations to their external environment as the key variable (Clark, 1998, Lowndes, 1996). Appropriate behaviour itself is not static. The behaviour of public officials might be influenced by perceptions of professional duty, but other variables might prove more important in shaping their thinking. Uncovering causalities is in part a matter of empirical investigation.

Recent research into managerial reforms in three separate government departments and their field services - Infrastructure, Education and Agriculture – provided one such example of detailed investigation (Cole and Jones, 2005). The research developed the hypothesis that capacity of field officials to accept reform might depend more upon their degree of institutional receptivity to change than the conceptions of appropriate behaviour of individuals or groups (Cole and Jones, 2005, Jones, 2003). The measure of institutional receptivity to change is a compound one that encompasses several dimensions. In addition to conceptions of appropriate behaviour, the key variables are the attitude of the central services to field service autonomy, the openness of the field service to the outside world, the type of service delivery involved and the extent of involvement of field officials in local networks. This hypothesis was tested in surveys conducted by
Jones (2003) and Cole (Cole and Jones, 2005). The field services are gradually becoming accustomed to exercising greater managerial autonomy and applying managerial practices to their operations. They are engaged in policy oriented learning. There was, however, a variable receptivity to change across different parts of the French administrative system. In response to the 1982-83 decentralisation reforms, several ministries undertook modernisation programmes at field service level (de Montricher, 2006). Field service managers in the Infrastructure ministry, for instance, were delegated greater managerial autonomy in budgetary and human resource management from 1983, within the framework of a contractual agreement with the central ministry (Duran 1993, Pavé 1992). Similarly, the Education ministry delegated increased budgetary autonomy, more flexible human resource management and greater control over pedagogical direction to its regional field services, the rectorates (Cole, 1997, 2001a). In the new institutionalist tradition, these organisational inheritances are important variables. Those ministries that had engaged in reform processes early on found it much easier to implement change than others. Infrastructure was the most dynamic, followed by Education and Agriculture.

This variation was due in part to the attitude of central ministries. While Infrastructure had a long tradition of innovation, the Agriculture and Education ministries provided ample evidence of the resilience of traditional institutional features. Clark (1998) argues that the field services of those ministries engaged in business-type activities are more susceptible to managerial reforms than those ministries involved in purely administrative functions. Infrastructure has always had close relationships with the private sector and local government, bringing its agents into contact with decision-makers beyond central government. Education has by far the most sizeable field services, making it the most similar to a classic bureaucratic organisation. While size reduces proximity, the type of service delivery – curriculum design, teacher mobility, demography, inspection – ensures

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17 Jones carried out 13 interviews in the regional field services of the Infrastructure, Agriculture and Education Ministries in the Champagne-Ardennes region during May 1996 and January/February 1997. In the Reims rectorate, interviews were conducted with the secretary general, heads from the Financial Affairs and Examinations sections and staff in the division for Inspectors and Administrative staff. For the regional directorate of the Agriculture Ministry, the regional director and his deputy were interviewed as well as administrative staff in the directorate. At the regional directorate of the Infrastructure Ministry, interviews were carried out with regional director, a technician from the Unit for Technical Policy and Assistance to Businesses and an official seconded to the directorate from the National Institute for Statistics. All interviewees were asked about their experiences of the administrative reform process and its impact on their respective field service. Cole carried out 20 interviews with officials in the Education and Infrastructure ministries in 1999, 2000 and 2004. Most were carried out in the Parisian headquarters of the education ministry in 1999, 2000 and 2004, dealing specifically with the themes of contractualisation, evaluation, political and administrative decentralisation and management reform.

18 Interviews, July 2004
that the Education ministry operates in an interdependent policy space. The Agricultural ministry stands apart from the others. Its ability to develop a specifically regional policy is limited by the nature of the policy sector (agriculture being a Europeanised domain), by the EU, by the national and departmental focus of farm pressure group activity and by the relative weakness of agriculture as a territorial department.

Closely related to issues of central attitudes and service delivery, the proximity to local or regional policy networks is another important variable. The development of a regional public sphere is an essential feature of sub-central French governance. The influence of field services depends not only upon the vertical relationships they maintain within their ministries, but also upon the degree to which they are embedded within local (especially city) and regional communities. This degree of embeddedness is more important for certain ministries than others. Infrastructure, Education and Agriculture each maintain distinctive relationships with their client groups and there is some evidence that these vary in different places. Good inter-organisational relationships can determine whether the local authorities involve the field services as partners (essential for the Infrastructure ministry) or else seek alternative sources of expertise. Some field services have made considerable efforts to establish themselves as legitimate actors in the eyes of local actors (Duran and Thœnig, 1996).

These examples from the field describe a process of incremental change that is context specific and driven by sometimes-contradictory pressures. Sociological institutionalist arguments based on the appropriate behaviour of officials capture only part of this process. The differential receptivity to change by the field services was also a function of internal organisational dynamics, the attitude of the central services to field service autonomy, the degree of openness to the market, the type of service delivery involved (more or less market focussed), and the extent of penetration in local networks. The Infrastructure Ministry was more receptive to management change than either Education or Agriculture. Though innovation was weaker in the field services of the Education and Agriculture ministries, there was evidence of change within both ministries. Reform of the State programmes from 1989 onwards provided these field services with experience of having greater control in their operational management, especially in financial and human resource matters, a development strengthened in some respects by the new budgetary procedure of the LOLF.

**The Governance of State Reform**

The evidence presented in this paper backs up in important respects the evolution towards a regulatory mode of modern governance, propelled by overarching changes in the international political economy that require a more productive state. Agencies, performance indicators, monitoring and budgetary autonomy all have rings of a new
public management ethos about them, whereby the productivity of the state is the core concern of those in the centre. The state must manage a complex set of new interdependencies, both those extending beyond the state (in terms of financial markets and European integration) and those emerging within the State (as far as local authorities, agencies or social security bodies are concerned). Faced with unprecedented challenges, the central State has attempted to strengthen its indirect capacities to govern at a distance, by inventing new instruments to facilitate central regulation (Lascoumes and Le Galès, 2004). The cases considered in this paper also illustrate an important dimension of governance in France: the attempt by governmental elites to redefine the core of state activity to give a strategic sense to the centre under threat. Whether intention is followed by effect, however, is less clear. The public commitment to principles of NPM does not preclude the survival of clientelistic practices, nor the insulation from political pressures, as the case of Sarkozy’s response to the Attali report demonstrated in early 2008. In their own terms of reference, management reforms can take varying forms, some apparently contradictory. Thus, the LOLF and the new agency model imply a move towards annual budgets, a standardised definition of performance indicators and new forms of central monitoring that break with the history of post-war contractualisation in France.

Both types of response address similar questions tied with the notion of state capacity. The question of state capacity is best framed in terms of three core questions. Do ‘strong’ actors located at the centre of the state direct public policy? Have central state actors adopted strategies designed to exercise a tighter overall supervision of the direction of public policy? How capable is the State in terms of its ability to achieve its own public targets (for example in relation to welfare spending or economic and monetary union)? In response to the first question, we perceive a diminished capacity for core state actors (politicians, senior civil servants) to exercise a directive influence and observe the gradual appearance of new levels of regulation (local, regional, European, global). These developments all undermine the capacity of state-centric political and administrative actors to envisage government as a hierarchical chain of command.

In response to the second question, the state has adapted to new uncertain circumstances in an attempt to steer policy as best it can. One of the paradoxes of the debates about governance is that the capacity of the state has been challenged at the same time as government, understood in its broadest sense, has never performed so many functions. Even a minimal market supporting state has new responsibilities in social policy, education and training, raising the skills level of the workforce (Levy, 2006). Rather than a weakening of the state, per se, it is as legitimate to argue that the type of state activity has changed. Arguably, states can be more effective as regulators than they ever were as distributors of services. The new policy instruments adopted by governments since 2002 have been designed in part with state productivity in mind. The LOLF in particular (the new budgetary procedure) is designed to enhance productivity through target setting, monitoring and performance indicators. These innovations are consistent with developments at the EU level, where technical agencies have grown exponentially.
The response to the third question (how capable is the State in terms of its ability to achieve its own public targets?) is, to a degree, context and sector specific and a detailed answer lies beyond the boundaries of this paper. The general argument, however, can be illustrated in the case of welfare policy, traditionally interpreted in France as being one of limited state capacity, whether in terms of directing institutions, controlling outcomes or limiting expenditure. The theme of state productivity has progressed even in areas such as welfare that have traditionally resisted central steering. New organizations such as the Regional Hospital Agencies exercise core steering functions in health care and strengthen the argument that (new public) management reform strengthens the state. In recent decades governments in all European countries have been confronted with a weakening capacity to steer society by proposing solutions to the problems they have identified. Modern states need to lower expectations of public policy action and develop new policy instruments to manage complexity. In the case of France, the argument is not whether the country has’ fallen into line’ with the doctrines and practices of NPM, but, rather, how new management ideas empower certain actors (especially budgetary actors), provoke resistance from others (typically middle ranking civil servants) and are used by central governors (at least rhetorically) to attempt to steer the governmental machine in line with the core criteria of state productivity.

The evidence from the first few months of the Sarkozy regime suggested an acceleration of the managerial and budgetary trend apparent since 2000. The Fillon Government has further strengthened budgetary dominance by creating an enlarged Ministry for Budgeting, Public Accounts and the Civil Service. It has politically endorsed the objective of not replacing one retired public servant in two. In the same perspective, a General Public Policy Review was launched in July 2007 with explicit reference to the Canadian Program Review initiated by the Liberal Chretien Government in 1995-1996 or the ‘spending reviews’ carried out in the UK 2002 (Bezes, 2008). Systematizing and refocusing the ‘modernization audits’ since developed in 2006-2007 by targeting public policies, the French Révision Générale des Politiques Publiques (RGPP) claims to engage in ‘rethinking the state’ with direct ties to the fiscal imperatives of dealing with the debt and the deficit. There remain a number of unanswered questions, though, notably in the form of tension between the forthcoming policy review and the effects of the budgetary reform we considered above. Though the logic of the LOLF is annual, the ministerial audits undertaken by the Fillon government will be accompanied by the reversion to a pluri-annual budgeting exercise (2009-2011). Even an open embrace of the doctrines of NPM is not enough to ensure the cohesion of governmental policy.
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