The Role of Path-dependency in Public Administration and Economics
and Implications for the Future

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Abstract

Americans take pride in their dynamic culture. However, the reality is that Americans have become content to live in the past and have become ideologically locked into the periods of the past. Having committed to specific beliefs, they refuse to let go. The disciplines of American public administration and economics are no exception. They have been locked into their foundational principles and practices for over 100 years. Both fields are path-dependent which has made them change-resistant.

This paper will examine the nature of change in American culture and the influence of path-dependency on public administration and economics. In the field of public administration, path-dependency will be used as the framework for analyzing recent public administration reform movements (the New Public Management, the governance movement, and “joined up” government), and it will explain how these movements have been bound by the traditional public administration doctrine crafted in 1887. This paper will demonstrate that significant change has not taken place in public administration theory and practice since the late 19th Century.

In the field of economics, the limitations of both orthodox and heterodox economics will be analyzed. This paper will argue that orthodox economics, grounded in the ideas of the past—The Enlightenment, natural law, and Newtonian mechanics—is insufficient for dealing with the current political, social and economic realities. Furthermore, the case will be made that heterodox economics, although in opposition to mainstream theory, only challenges the neoclassical model at the edges.

Because of the constrained path of American public administration and the continued adherence to the neoclassical model of economics, public administration and economics are not prepared to respond to the complexities of the 21st Century. A new framework is needed in both disciplines that can accommodate the complexities, uncertainty, and nonlinearity of the future.
Introduction

This paper explores obstacles to change in the fields of public administration and economics, and how resistance to change may prevent these disciplines from adapting to the 21st Century. Public administration and economics are both locked into theories, ideologies, practices, and patterns which limit their ability to respond effectively to dynamic political and economic forces. In this sense, both disciplines display elements of path-dependency.

This paper will examine change in the United States and the limitations to meaningful change imposed by path-dependency in the fields of public administration and economics. The barriers to change in public administration will be explored by examining key public administration reform movements. Specifically, the principles behind the New Public Management, the governance movement, and "joined up" government will be compared to the key elements of traditional public administration. This analysis will demonstrate that significant change has not taken place in public administration theory and practice since the late 19th Century. The paper will also discuss economic theory’s inability to move beyond the “current belief in the sanctity of the market” (Ikerd 2009) rooted in the late 16th Century. Finally, this paper will discuss the need for public administrators and economists to move beyond these constraints in order to effectively cope with the complex dynamics of the 21st Century.
Change and the American Culture

Americans take great pride in the dynamic nature of the U.S. culture; or at least in the image of that dynamism. Ask anyone and they will proclaim that one of the basic strengths of America is its power to move ahead, innovate, be positive, and leave the rest of the world far behind. The belief that “Change is so pervasive in our lives that it almost defeats description and analyses” (Stanford Encyclopedia of Philosophy 2006) makes change appear to be so simple, and easy to incorporate into our daily lives, that many believe the dynamic image is true. But the reality of change is quite different. There is no generally agreed upon underlying theory of change. Questions such as “What is change and its cause?” and “When does change occur?” have been debated for centuries and they will continue to be debated.

Immanuel Wallerstein (1999) proclaims that “Change is eternal. Nothing ever changes” (118). How different is the U.S. today than it was 30, 40 years ago (Wallerstein 1999)? From just a quick glance it would appear to be very different with computers, digital everything, and on and on. But how different are we in economic and social relationships? Do we make better decisions about important issues? “The Forty Year Example” helps to illustrate the point. For the past 40 years, governments at all levels have spent millions, maybe billions, of dollars on socio-economic issues. At the same time, millions of workers, paid and volunteer, have devoted great amounts of time to working on these same issues. The question is: How much progress has been made in these areas? We continue to fight the same battles, but conditions worsen.
It is not that Americans do not consider the possibility of change, it is just that they are content to live in the past. People become locked into ideologies. When considering what needs to be changed and accomplished in America, it is impossible to escape ideology. The real decision is which ideology should be chosen and implemented. Both economics and American public administration have become bound by old ideologies which have limited each discipline’s ability to offer new ideas and interpretations.

**Path-Dependency**

Path dependency has been used by both political scientists and economists “to show how certain laws, rules, and institutions can create heavy disincentives for change because so much is already invested in the existing ways of doing things” (Pollitt and Bouckaert citing Pierson 2004, 33). Path dependency generally refers to several key concepts:

Specific patterns of timing and sequence matter; starting from similar conditions, a wide range of social outcomes may be possible; large consequences may result from relatively ‘small’ or contingent events; particular courses of action, one introduced, can be virtually impossible to reverse; and consequently, political development is often punctuated by critical movements or junctures that shape the basic contours of social life (Pierson 2000, 251).

The notion of path-dependency is broadly defined as “history matters” (Pierson 2000, 252); however, more narrow definitions are needed for analytical purposes. For clarity, Paul Pierson (2000) suggests that path-dependency can be characterized as an “increasing returns”, “positive feedback” or “self-reinforcing” process. The concept of increasing returns points to two important features of path-dependency (Pierson 2000, 251). First, it highlights how the costs of switching to another alternative increases over
time in a path-dependent process. Second, it emphasizes the importance of timing, sequence and formative events (Pierson 2000, 251). Early events matter more than later ones in an “increasing returns,” path-dependent process (Pierson 2000, 253).

Path-dependency and increasing returns were originally applied to technology to explain how “incremental changes in technology, once begun on a particular track, may lead one technological solution to win out over another, even when, ultimately, this technological path may be less efficient than the abandoned alternative would have been” (North 1990, 93). The classic example of this process is Paul A. David’s analysis of the QWERTY keyboard which gained an initial advantage and persisted even though more efficient alternatives were later identified (David, 1985; North 1990). There are four aspects of technology that generate an increasing returns, self-reinforcing process (Arthur cited in Pierson 2000, 254):

1. Large setup or fixed costs. When set up costs are high there is an incentive to stay with a single option (Pierson 2000).

2. Learning effects. “Knowledge gained in the operation of complex systems also leads to higher returns from continuing use” (Pierson 2000, 254).

3. Coordination effects. “These occur when the benefits an individual receives from a particular activity increase as others adopt the same option” (Pierson 2000, 254).

Douglass North (1990) contends that these same processes can be used to explain institutional change. Using the Northwest Ordinance as an example, North (1990) explains how the Ordinance helped develop the blueprint for expansion in the United States for a century. He asserts that “Although its provisions were at times modified by new issues and controversies, it provided a clear, path-dependent pattern of institutional evolution” (North 1990, 98). The ordinance is an example of both “the historically derived continuity implied by path dependence as well as the downstream consequences of increasing returns” (North 1990, 97).

Notwithstanding the intuitive appeal of path-dependency, there have been a number of criticisms of this method of analysis. For example, Peters, Pierre and King (2005) claim that historical institutionalism ignores the importance of smaller, more incremental change; engages in “retrospective rationality”; does not account for political conflict properly; and is inadequate at explaining political and policy change. Raadschelders (1998) is also critical of path dependency’s explanatory power and states that “it is only by virtue of retrospect that we are aware of states or paths of development. ‘Path dependency’ refers to a string of related events; causality in retrospect. The concept does not come even close to pinpointing a mechanism or the mechanism that propels social change” (Raadschelders quoted in Kay 2005, 561). In a critique of path-dependency in policy studies, Adrian Kay (2005) argues that there are several criticisms of path-dependency which include (1) an absence of a convincing account of decision-making (2) it cannot deal with policy change; and (3) it does not have a “clear normative focus” (Kay 2005, 554). However, Kay concludes that these criticisms are not “fatal to the validity or utility of the concept of path dependency in
policy studies” (Kay 2005, 569). Torfing also acknowledges that there are challenges to path-dependency, but it continues to be helpful in understanding “the limits to intentional reform which are due to the presence of institutional inertia” (Torfing 2009, 81). Thus, in spite of its limitations, path-dependency may provide some insight into the constraints on reform in fields such as public administration and economics.

Path-dependency and Public Administration

Public administration reform has many elements of a path-dependent process. Since its inception, American public administration has reformed within boundaries which have limited the degree to which the discipline has changed for almost a century in the United States. In spite of the significant political and social changes that took place in the 20th Century, public administration theory and practice remained relatively constant.

Support for the notion that public administration is path-dependent can be found in the literature. For example, in 1998 Peters and Pierre suggested that path-dependency may be used to explain the nature of administrative reform. They asserted that “The objectives and concrete design of administrative reform mirror the historical, political, and societal roles of public administration as well as its internal culture. Such reforms are path-dependent, probably to a much greater extent than we generally realize” (Peters and Pierre 1998, 224). They continued by arguing that “reform strategies are embedded in systems of norms and administrative practices and therefore reform strategies are shaped more by what already exists than by the desired model of public administration” (1998, 224). More recently, Pierre (2010) has used
administrative reform in Sweden as an example of an incremental, path-dependent process.

Similarly, Pollitt and Bouckaert (2004) view management reform as simultaneously influenced and restrained by external forces. Writing in 2004, they suggested that “Taking a broad view. . .the upsurge of reforms in the last twenty years or so can be attributed to an intensification of a number of factors, but perhaps particularly to global economic forces, socio-economic change, and the supply of new management ideas” (2004, 33). However, these forces are not unrestrained. Pollitt and Bouckaert also acknowledge the role of path-dependency theory in management reform and concede that “certain laws, rules, and institutions can create heavy disincentives for change” (Pollitt and Bouckaert citing Pierson 2004, 33). The “costs of change” in management reform include learning new methods of operation, establishing new networks, and new patterns of authority (Pollitt and Bouckaert 2004, 33-34).

The underlying principles of path-dependency and self-reinforcing processes can help explain the limits to reform in public administration that are due to institutional constraints. In essence, path-dependency shows that public administration has been bound by tradition. Public administration reform is subject to “legacy effects” in the sense that public administration’s “inheritance exerts its influence in the face of pressures for change” (Painter and Peters 2010, 13).

**Traditional Public Administration**

The period at the end of the 19th Century and beginning of the 20th Century was a period of significant change in America. The growth of industrial capitalism, the influx of
immigrants, urbanization, and the rise of progressivism changed the economic, social and political landscape of the United States. During this era political reformers sought an end to the patronage and party influence of the Jacksonian Era. In 1887 one of these reformers, Woodrow Wilson, called for a separate field of administration which “lies outside the proper sphere of politics” (Wilson [1887] 1997, 20). The doctrine that Wilson crafted in his seminal work, *The Study of Administration*, was “designed primarily to limit the prospect of self-interested or misguided bureaucrats aggrandizing themselves or leading the society toward some idiosyncratic or ill-considered conception of the public interest” (Moore 1995, 17). In order to achieve this objective, Wilson proposed that government operations should be run like a business and administration should be separated from politics. Wilson’s principles became central tenets of public administration’s “traditional doctrine.”¹

Public Administration’s “traditional doctrine” was also profoundly affected by Max Weber’s account of the nature of bureaucracy (Pfiffner 2004). Weber’s model emphasized control from the top, hierarchy, rules and regulations, and a rational system of control which made the bureaucrat subordinate to his political superior (Pfiffner 2004). The system which Weber described reflected both the current realities of the time as well as the future development of modern bureaucracy. As Pfiffner (2004) explains, “While the system which Weber observed in Germany developed over several centuries, there was a parallel development of bureaucracy in other countries during the industrial revolution. This model of bureaucracy was crucial to the development of large scale enterprises, private or public, throughout the developed world” (n.p.).

¹The term “traditional doctrine” is from Mark Moore (1995).
Twentieth Century public administration theory and practice were guided by Weber’s model and Wilson’s doctrine. Work was organized, structures were designed, and superior-subordinate relationships were crafted around the organizing principles of efficiency, hierarchy, and the separation of politics from administration. The ideology of the “traditional doctrine” came to define the discipline of public administration. Even though there were eleven major reform initiatives during the 20th Century (Kettl 2005, 27), these basic principles continued to resurface and endure.

The creation of the “traditional doctrine” in public administration loosely fits the criteria for a path-dependent, increasing returns process. First, timing was important. The creation of the “traditional doctrine” arguably marked a critical juncture in public administration. Second, the costs of switching to other alternatives increased over time. Once this “traditional doctrine” was established it became difficult to reverse, and subsequent scholarship and practices were guided by the doctrine. Finally, Wilson and Weber’s writings had large and lasting consequences for the way that public administrators would view themselves, their relationship to politicians and their organizations for decades. In many ways the “traditional doctrine” in public administration became a self-reinforcing process for the same reasons that the QWERTY keyboard still prevails. There were large set up or fixed costs that it made it difficult to change established methods and relationships, learning effects led to innovations based on the dominant framework, and coordination effects and adaptive expectations led to interdependence.2

2 The application of Arthur’s four features of technology that lead to increasing returns to public administration reform is loosely based on the explanations provided by Pierson (2000) and North (1990).
The New Public Administration and The New Public Management

The traditional doctrine predominated for decades in spite of challenges to the basic framework during subsequent eras of social and political turmoil. For instance, in the late 1960’s the “New Public Administration” surfaced. The “New Public Administration” offered a fresh perspective on the politics-administration dichotomy, the role of values, the importance of equity, and the need for employee and citizen participation (Denhardt 2008); however, this new movement failed to radically alter the existing paradigm. As Denhardt (2008) concedes, the New Public Administration’s “significance lies more in its discovery of anomalies within the framework of traditional theories than in the presentation of some new alternative” (102).

In the 1980’s and 1990’s another wave of change occurred with the end of the Cold War, globalization, and the emergence of the Information Age (Kettl 2005, 3-4). The response was a reconsideration of the role of government and its relationship to citizens. Kettl (2005) explains that in the 1980’s a global reform movement took hold in response to political, social, economic and institutional forces (3-4). These factors led public administrators to a model based on economics and market mechanisms. Around the world governments began to ask themselves key questions in six areas:

1. “Productivity. How can government produce more services with less tax money?”
2. “Marketization. How can government use market-style incentives to root out the pathologies of its bureaucracy?”
3. “Service orientation. How can government better connect with citizens?”

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4. “Decentralization. How can government make programs more responsive and effective?”

5. “Policy. How can government improve its capacity to devise and track policy?”


The answers to these questions were embodied in the New Public Management which emerged as the reinventing government movement in the United States. The New Public Management drew a number of adherents during the end of the 20th Century, including the Clinton Administration in the United States as well as the governments of Great Britain and New Zealand (Denhardt and Denhardt 2007, 15-66; Kettl 2005, 9).

Its proponents called for the application of private business approaches to the public sector; they encouraged public administrators to act like entrepreneurs; they believed that citizens should be treated like customers; they emphasized results through performance measurement (Denhardt and Denhardt 2007); and they believed in devolving responsibility to lower levels of government (Kettl 2005, 2).

The New Public Management distinguished itself from the “traditional doctrine” because of its reliance on the market instead of command and control, devolution instead of centralization and hierarchy, and economic theory instead of political theory. In many ways the New Public Management represented a true shift in philosophy and approach. However, upon closer inspection it appears that the New Public Management also shared a number of similarities with the traditional doctrine and thus did not veer too far off the established path. The New Public Management retained Wilson’s emphasis on business-like practices and efficiency; and, as Denhardt and
Denhardt (2007) have argued, it retained the commitment to rational choice theory inherent in traditional public administration. Pfiffner (2004) also contends that devolution, which was part of the New Public Management's doctrine, does not necessarily mean that bureaucracy is abandoned; "it merely means shifting some functions from a large, centralized bureaucracy to smaller or geographically separated bureaucracies". Finally, Frederickson (1996) acknowledges that the reinventing government movement’s steering-rowing metaphor which separates policy decisions from service delivery is subtly reminiscent of the politics-administration dichotomy. The New Public Management’s continued commitment to efficiency, bureaucratic organization, and the politics-administration dichotomy support the notion that there are heavy disincentives for change in path-dependent processes such as public administration reform.

**Governance**

At about the same time that the New Public Management was spreading to western democracies, the debate over governance also began (Peters and Pierre 1998, 227). The movement towards a model of governance was “associated with the widespread belief that the focus of administrative practice has been shifting from the bureaucratic state and direct government to the ‘hollow state’ (Milward and Provan 1993; Milward 1994) and ‘third party government’ (Salamon 1981)” (Heinrich, Hill and Lynn 2004, 3).

There are numerous definitions of governance, but Peters and Pierre (1998) assert that governance includes the prevalence of networks in public policy, diminished state control, the creation of public-private partnerships, and the use of innovative policy
instruments. In the governance framework, authority is no longer centralized and hierarchical (Meehan 2003, 2); and government and public administrators are no longer solely in control. “To govern, then, moves from acting through vertical chains of command and accountability in a hierarchy of institutions to become a facilitator or regulator of what goes on in the public space in order to try to solve problems” (Meehan 2003, 3).

Governance, at first glance, appears to be a significant departure from traditional public administration. However, governance, like the New Public Management, is also restrained by countervailing forces and vestiges of the past. The networks that characterize governance must work within existing institutional arrangements, specifically hierarchies. Heinrich, Hill and Lynn (2004) assert that those who emphasize the importance of networks in governance tend to diminish “the realities of hierarchical governance in a federal, constitution-based system” (Heinrich, Hill and Lynn 2004, 10). They contend that networks and collaborative relationships do not signal the end of hierarchy, rather hierarchy will continue to have both practical and theoretical relevance. Instead of seeing traditional theories weakened, they suggest that “elements of traditional theories of public administration will continue to usefully shape the study of governance and guide administrative practice” (Heinrich, Hill and Lynn, 11). In other words, they acknowledge that traditional theories, structures and institutions have become somewhat “locked in” and will help determine the path of future administrative practice, even in a world that is embracing network governance.
"Joined Up" Government

The notion of "joined up" government is more popular outside of the United States, but it too illustrates the influence of path-dependency on reform movements. The tension between networks and hierarchy is also evident in the notion of "joined up" government or the "whole of government" movement that has received attention in Australia, the United Kingdom, Canada, and Finland (Victoria State Services Authority 2007). As with governance, there are several definitions, but the general concept is that "Whole of government denotes public service agencies working across portfolio boundaries to achieve a shared goal and an integrated government response to particular issues" (Victoria State Services Authority 2007, 2). However, "joined up" government approaches are not intended to replace more vertical approaches (Victoria State Services Authority 2007). The choice of a horizontal or vertical approach depends upon the type of issue addressed. For example, a "joined up" approach may be needed to address cross-cutting issues while less complex concerns may be more effectively addressed by one department (Victoria State Services Authority 2007). In essence, "joined up" government recognizes the need to change in order to reflect the complexity of the external environment in which government must operate, while acknowledging the limitations imposed by existing structures.

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<tr>
<th>Reform Movement</th>
<th>Central Concepts</th>
<th>Commonalities with the Traditional Doctrine</th>
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<tr>
<td>New Public Management</td>
<td>Application of business approaches to the public sector (Denhardt and Denhardt 2007).</td>
<td>Emphasizes business-like practices and efficiency. Continued commitment to rational choice theory</td>
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Public administrators act like entrepreneurs (Denhardt and Denhardt 2007).
Citizens as customers (Denhardt and Denhardt 2007)
Results through performance measurement (Denhardt and Denhardt 2007).
Devolved responsibility (Kettl 2005).

(Denhardt and Denhardt 2007).
Maintained bureaucratic structure; devolution just means moving to smaller or geographically separated bureaucracies (Pfiffner 2004).
Steering-rowing metaphor is reminiscent of the politics-administration dichotomy (Frederickson 1996).

Governance

|------------------------|--------------------------|-----------------------------|-------------------------------|---------------------------------------------------------------------------------|

"Joined Up" Government

| Working across boundaries to achieve shared goals and to provide an integrated response (Victoria State Services Authority 2007). | Acknowledged that a vertical approach may be more effective in some instances (Victoria State Services Authority 2007). |

**The New Public Service**

Recently, Janet and Robert Denhardt (2007) have proposed a new model which they offer as an alternative to traditional public administration and the New Public Management. In response to what they believe are the deficiencies of the New Public Management, they have crafted a model known as the New Public Service (Denhardt and Denhardt 2007). The New Public Service views citizens “as bearers of rights and
duties within the context of a wider community” and not merely as customers who are seeking their own self-interest (Denhardt and Denhardt 2007, 60). It emphasizes the centrality of citizens in administration, policymaking, and implementation rather than placing these functions solely in the domain of the administrator or market forces (Denhardt and Denhardt 2007). This New Public Service proposes that public administrators should be guided by the “shared values and collective citizen interests” in their decision making (Denhardt and Denhardt 2007, 78). Moreover, the public administrator does not act alone, but rather is “seen as a key actor within a larger system of governance including citizens, groups, elected representatives, as well as other institutions” (Denhardt and Denhardt 2007, 81).

The Denhardt’s provide examples of their new ethos at work, but acknowledge that their framework “is not a blueprint for a structure or a quantifiable objective to be met. It is an ideal, based on the immeasurable but critical values of democracy, citizenship, and the public interest” (Denhardt and Denhardt 2007, 187). The New Public Service echoes some of the principles of the New Public Administration which Denhardt (2008) concedes fell short of presenting new alternatives to the existing doctrine. Whether or not it will become a distinct break from the past in theory and practice has yet to be determined.

**Path-dependency and Economics**

As with public administration, the discipline of economics has also been bound by the past and limited by institutional inaction. The problems with orthodox economics have been widely discussed. Orthodox economics has been subjected to a great deal of
criticism on the grounds that it is irrelevant to an understanding of the major problems of the real economic world (Veblen 1898).

The 18th Century Enlightenment provides the ideological foundation for orthodox economics. Moral philosophers from the 1700’s borrowed Newton’s orderly, predictable universe, and extrapolated downwards to form The Nature of Man and The Nature of Society (Ayres 1952). These 18th Century philosophers, including Adam Smith, were natural law theorists and proposed that there are natural economic laws existing in the natural economic universe, chief of which is the self-regulating mechanism of competition. They believed that if this mechanism is allowed to operate unimpeded, and people are allowed to pursue their economic self-interest as if guided by the invisible hand, the result will be a perfect society forever. This statement continues to form the basis of the American economic system. In this sense, orthodox economics and path-dependency are made for each other. The underlying principles of orthodox economics, which are rooted in the Enlightenment, still guide the American economic system today.

Heterodox economics (Lee 2008) offers an alternative to mainstream or orthodox economics, but it does not provide the answer. Debates continue between orthodox and heterodox economists, but neither group is able to define what is happening or where we are heading. In the midst of a major economic, social, and political transformation, and with only outmoded concepts and obsolete ideas to direct our thinking and behavior, we are forced to rely on the past (Dahl 1982).
Our reliance on the past is poignantly illustrated by an article entitled “Can America Compete?” This article discusses declining standards of living, productivity problems, drops in manufacturing, and management and labor difficulties. The article offers varying solutions to these problems. What is most interesting is the date of publication. It is from Business Week, April 20, 1987. The solutions offered for the problems in 1987 are the same as the solutions offered for the problems that still exist today. Obviously economists, politicians, and business groups continue to adhere to the Newtonian paradigm of certainty, predictability and control. In other words, their solutions suffer from having acquired their shape and substance in the 18th and 19th centuries.

A further example of economic theory and application tied to the past is the article by Thomas Palley. In “America’s Exhausted Paradigm,” Palley “traces the roots of the current financial crisis to a faulty U.S. macroeconomic paradigm” (Palley 2008, 1). Financial excess and deregulation were symptoms of the problem, not the cause. Policymakers and economists continue to fail to understand the necessity of a new economic paradigm and growth model.

Similarly, the problems with mismanagement at Enron can be traced back to a dependence on outdated ideas. Massive lobbying by utilities representatives persuaded California to adopt a hands-off policy regarding supply and demand for utilities. The result was disastrous. “It never occurred to us in our innocence that something so vital to society would be treated like a casino. We thought that somehow the (invisible) hand of Adam Smith would be benign” (Taylor 2002). This statement by David Freeman, top
energy advisor to the Governor, illustrates continued dependence on 18th century ideas (Ebert and Griffin 2005).

Veblen's ([1914] 1967) statement in *The Instinct of Workmanship* sums up the problem: “History records more frequent and more spectacular instances of the triumph of imbecile institutions over life and culture than of peoples who have by force of instinctive insight saved themselves alive out of a desperately precarious institutional situation …” (312). Veblen held that progress or cultural growth will take place when the growth of knowledge and technology is uninhibited by custom or imbecile institutions. He does not hold that progress is inevitable. It can be contaminated. Present day institutions could triumph over knowledge and technology.

**Alternative Approaches**

Recent attempts have been made to challenge the neo-classical paradigm, but the success of these attempts is debatable. For example, Lars Magnusson and Jan Ottosson, the editors of *Evolutionary Economics and Path Dependence*, state that “A key goal of this volume is to introduce and bring together recent discussions regarding different aspects of economic change, choice and path dependency. The contributions in this volume represent new strands within the traditions of evolutionary economics and institutional economics” (1997, 6). As expected, there is much debate among the contributors to this volume about “mechanisms” of an evolutionary character. However, the very use of the term “mechanism” indicates continued ties to Newtonian mechanics. In reality, criticisms of the neo-classical paradigm are only at the edges.
Marxist and Original Institutional Economics were the primary critics of the mainstream, neoclassical paradigm. With the addition of New Institutional Economics, and game theory, there is wider acceptance by the mainstream of new schools of thought. In fact, mainstream views have successfully assimilated their critics resulting in a watered-down version acceptable to orthodoxy. Built on quicksand, the assumptions of the neoclassical paradigm are false. Yet they continue to not only exist but maintain dominance. What better example of path-dependence could there be?

More recently, complexity economics, as one of the four C’s--complexity, chaos, catastrophe and cybernetics--can be found surfacing in economic discussions. Complexity economics rejects traditional assumptions of a closed system leading to equilibrium. Instead complexity economics sees economies as open, complex adaptive systems with structural evolution. Moreover, linear and deterministic approaches to economic problems are viewed as creating more problems than they answer (Atkinson 1998). In this sense, complexity economics may offer an authentic break from the past.

A New Path for the 21st Century?

A new path for public administration and economics may be required in the 21st Century since one of the possible costs of following the same theoretical and practical path is that it may lead to suboptimal outcomes. Public administration and economics may now be at another critical juncture due to a number of factors:

1. Globalization – As stated in the Report of the National Intelligence Council’s 2020 Project (2004), “The very magnitude and speed of change resulting from a globalizing world—apart from its precise character—will be a defining feature of
2. Economic – The recent economic and financial crisis has forced a rethinking of the American government’s role in society. In the late 1990’s, the Asian financial crisis as well as concerns over economic stagnation prompted reform in public management that emphasized deregulation and privatization (Kettl 2005, 4). In contrast, the current economic crisis was driven by unrestrained market forces which the government is now attempting to contain. This has ignited discussion about the government’s role in regulating business and industry, managing the economy, and serving citizens. The current crisis is forcing both the U.S. government and its citizens to reassess their responsibilities in a liberal democracy.

3. Social - Changes in life expectancy, family structure and unemployment have increased the demands placed upon the state to provide services (Pollitt and Bouckaert 2005, 28). For example, in the United States the level of service provided through social security, healthcare and welfare are continuously reevaluated in light of the aging population, changing family structure and immigration patterns. This increased demand for services provides an incentive for public administrators to look for new ways to decrease “the strain on the system” and this may lead to reforms in the way that services are organized and managed (Pollitt and Bouckaert 2004, 29).
4. Technology – Technological advances are changing the way that individuals interact with the world, with each other, and with government. As Thomas Friedman explains, the most recent era of globalization “is about individuals globalizing themselves, that was largely made possible by the Apple and Windows-enabled IBM PCs and their many clones. They are the tools that gave individuals the power to author, shape, and disseminate information at their fingertips” (Friedman 2007, 57). These are also the tools that are altering the relationship between government and its citizens by democratizing information and making government more accessible.

Both public administration and economics have followed the same basic path for decades, but the rapid rate of global change which is taking place is once again forcing theorists and practitioners to challenge the prevailing paradigms. As Dwight Waldo explained in 1980, “No prediction about our social life seems more certain than that complexity will increase and change will quicken (p. 146)” (Waldo quoted in Kiel 1994, 1). Because of the increasing complexity and rate of change, it is no longer possible for these disciplines to respond to the external forces while staying on the paths established in the 18th Century by the Enlightenment and in the 19th Century by Wilson’s *The Study of Administration*.

**Preparing for the 21st Century**

As Tetenbaum (2003) shows, the world is far more complex and unpredictable than Newton’s physics can explain. The relationship between cause and effect is not simple and linear. We cannot rely on certainty, predictability, and control. The
Newtonian paradigm, which identified the world as a well-behaved machine offering a predictable universe, can no longer serve as an organizing framework.

Building upon the work of Erich Jantsch, L. Douglas Kiel (1994) identifies three distinct stages of change—deterministic change, equilibrium-based change, and transformational change. Deterministic change follows a constant and predictable path. Equilibrium-based focuses largely on adaptation, stability, and equilibrium. However, the dynamic view replaces certainty, predictability, and control with disorder, instability and variation generating the potential for real change. Alternating between order and disorder provides the bases for new ways of achieving goals.

In the field of public administration, John Benington and Mark H. Moore (2011) argue that political and social changes “require governments and public managers to develop new paradigms to make sense of the new context, and to guide strategic thinking and action. The new paradigms may include thinking about government and public services less as machines or structures and more as ‘complex adaptive systems’. . .(14-15).” Benington and Moore (2011) contend that a “public value framework,” first proposed by Moore in his 1995 work Creating Public Value, can help “make sense of the new complexities and tough challenges facing governments and communities, and public policymakers and managers” (11;13). Moreover, Benington and Moore (2011) believe that this framework can assist public managers in understanding connections among complicated issues, across boundaries and along different dimensions. Likewise authors such as Kiel (1994) and Peter Drucker (1999) have also offered practical suggestions for how public managers can navigate during times of increasing complexity by understanding the limitations of hierarchy, moving beyond a focus on
efficiency, and by understanding that an overarching theory may not appear or may not even be needed.

In economics, change will only be possible once policymakers and economists come to understand the need for new economic and growth models. This will require real challenges to the neo-classic paradigm rather than an assimilation of its critics into the status quo. Complexity economics offers an authentic challenge by rejecting the fundamental assumptions of a closed system and re-conceptualizing economies as open, complex adaptive systems with structural evolution.

Public administration and economics have been locked into their paths for over a century, but the fields need to be re-conceptualized if they are to remain relevant. Breaking from the past will be difficult to navigate since there are few theoretical or practical frameworks for dealing with change, but complexity and chaos theory are helping to challenge these old paradigms. The price for failing to change may be that these disciplines are destined to produce suboptimal outcomes which may have significant implications for government, the economy, and society.
References


