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A British Bureaucratic Revolution? Autonomy Without Control, or “Freer Markets, More Rules”*

ABSTRACT

This paper addresses a puzzle: how to account for changes in the routine behavior of groups, organizations and individuals in Britain? Following a detailed analysis of state-market interdependence and the role of the state in creating the market, an analysis drawn from the thinking of Weber and Polanyi, we suggest adapting Weber’s notion of bureaucratic revolution: in what we call the British bureaucratic revolution, the state has played an essential role in social change by creating institutions and rules that are lastingly reorienting actors’ behavior. The example of the healthcare field is examined in order to identify the specific mechanisms that have been impacting on behavior within an approximately ten-year period; namely, the introduction of 1) competitive practices (sanction/reward) and 2) auditing and inspection. If this interpretation is valid, then it is reasonable to assume that the effects of this bureaucratic revolution extend beyond Britain.

This article is a response to a phenomenon we initially found surprising and that we have now defined as a puzzle. Having studied change in British society over the last twenty years, we, like others, have observed a radical transformation of the behavior of individuals, groups and organizations. How is it that union leaders steeped in Labour Party traditions have begun competing with each other more intensively by trying to offer their members more attractive financial or insurance services? How has it happened that certain fellow sociologists once known for their strongly leftist positions have become bold entrepreneurs, heads of universities who invest their financial

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Freer Markets, More Rules is the title of Steven Vogel’s 1996 book on regulating American businesses.

reserves in the stock market and negotiate buyout/mergers with other universities? How is it that the university elite as a whole have changed into formidable machines for assessing research performance or auditing university departments in ways that may well lead to their closure? How did hospital directors –pillars of the British universal welfare state and the core of a classic bureaucracy called the National Health Service– come to pay ambulances to drive round the city to reduce emergency-room waiting time the day they were being inspected in order to improve their efficiency ratings? How did the robust local British administration –elected officials and civil servants alike– end up succumbing so completely to what some call “new public management”; that is, to put it somewhat simplistically, how is it that they started applying rational choice and classic microeconomics principles to public management, in some cases through direct transfers of private sector management formulas?

When the head of the public library in a large, working-class city in the Midlands –one of the cities that invented Labour Party city management, for the purpose, among other things, of encouraging workers and their children to read– told us that his first priority today is making good use of his real estate holdings and spending efficiently, and that his colleague from a moderate-sized city like Norwich is grateful to the national lottery for enabling him to rebuild the burnt-down library, it seemed to us –after our initial surprise– that we had a puzzle for sociologists.

To put it simply, our puzzle is as follows: how do individuals, groups and organizations whose behavior used to comply with rules drawn up either by professional communities or bureaucracies change into competitive individuals and organizations that use entrepreneur discourse and practices, rigorously applying the same norms, practices and sanctions in effect in companies on competitive markets? How could such a radical, systematic transformation have occurred, spread, and changed behavior in a mere twenty-five years? How could what Polanyi called “market society” have been so fully realized within British public services?

There are many British studies that analyze one or another change in particular sectors. Our reading of those studies in connection with our own research has convinced us that a wider scope and more general thinking are needed to account for the aforementioned changes. The changes we have observed at the micro-level of individuals and the meso-levels of sectors, organizations, and regions seem to us systematic and comparable enough to justify seeking more general causes. In the case of Britain, we have an obvious suspect (perhaps too obvious): the gradual changes imposed by Margaret Thatcher’s Conservative governments after 1979, implemented first by her Conservative successor (the Major government) and then, arguably with greater vigor, by New Labour (Blair governments from 1997 and the Brown government since 2007).

As we see it, resolving the puzzle requires moving beyond the classic opposition between regulation by the market and regulation by the state;

between state and market. Market relations are not necessarily a problem for hierarchical or power relations; the two types may in fact reinforce each other. To understand the changes observed in Britain, it seems to us crucial to take a critical view of this opposition, and to show in fact not only the points on which state and market complement each other but also and centrally the role of the state in introducing market mechanisms. In so doing, we hope to help renew sociological study of contemporary state restructuring. The contemporary state is not withering away or losing its grip at the center or merely responding to the market pressure of globalization. We seek to show how the state has in fact strengthened its ability to transform society and steer groups and organizations by introducing market mechanisms into the heart of the public sector and by redefining the rules of the game and the parameters of public action. A detour by way of the classic theoretical works of Marx, Weber and Polanyi on the state and market and an adaptation of them to the contemporary situation are crucial to resolving our puzzle.

This article, then, is one in a set of studies we have been conducting on bureaucracy, governance, public policies, institutions, instruments –in sum, we examine what is beginning to look like a renewed comparative sociology of public policy and the state, with the particularity that it is not state-centered. Not all sociology of the state has disappeared; some has shifted to the fields of public action, governance, state reform and public management. Sociological studies in these areas have made it possible to deconstruct the state, to show how public policy can be a type of collective action, to see it “in action” (Jobert and Muller, 1987) or “in interaction” (Hassenteufel, 1997), to call into question the primacy of the state and public interest. However, while research in the 1980s, responding to studies on the ungovernability of complex societies and the crisis of the state, was highlighting forms of state retreat, decline, erosion, and impotence, some governments were demonstrating that they were fully capable of implementing significant reforms –in Great Britain, for example, occasionally at the cost of violent conflict. These cases called into question the strong-state/weak-state opposition (Burgi, 1992; Gamble, 1994).

Here we seek to show the strength of institutional change and how the public sector imitates the private, *i.e.*, how the state initiates and implements a parallel approach to the one pioneered in the private sector in steering and governance. These parallels between governance in the private and public realms are key in explaining the kinds of micro-level changes in conduct with which we are concerned. We seek to show that Weber’s claims that, on the one hand, state policies precede the extension of the market and development of capitalism and, on the other, that the state then imports or imitates the way large-scale enterprise is organized into its own practices are still fundamentally valid: the state has not disappeared, and nation-states still have considerable power resources. Above and beyond their implication in the issues of maintaining order and defense capabilities, state elites are extraordinarily active in promoting economic development, restructuring the welfare state and legislating on ever-more complex problems. Consistent with a suggestion

made by the Italian sociologist Gianfranco Poggi, our studies belong to a research approach that aims to identify the types of logic driving the restructuring of European Union states, and to bring to light the dynamics operative in “a new cycle of the nation-state” (Poggi, 1996). The contemporary “cycle” of the nation-state in Europe is usually characterized in two ways: a loosening of state constraints on individuals, organizations, regions (the relative decline of what Michael Mann [1997] called “hard politics”); nation-states’ adapting to, resisting against, or actively supporting increasingly global capitalist dynamics (Jessop, 2002). In contrast to the thesis of the hollow state, this in no way signifies the decline of the state but rather indicates the directions that state restructuring is taking. Instead of accepting the understanding that state and market are opposed, it seems worthwhile to us to reconsider the notion that they are interdependent, a classic sociology theme for conceiving of how the social order is formed and how actors’ behavior is rendered predictable.

Having identified the suspect, we can now proceed to the heart of the matter: the reasons, mechanisms and institutions implicated in bringing about the observed changes in behavior. A useful way of moving forward here is to analyze state/market interdependence. Polanyi and Marx exposed the limitations of the free market utopia, stressing, in contrast, the social and political constructions required for the market to work at all. We therefore hypothesize that the radical changes in the behavior of actors and organizations in Britain result from a state-imposed bureaucratic revolution that first profoundly transformed institutions, then behavior.

The present relatively conceptual text aims above all to analyze the role of the state in changing the behavior of economic and social actors, fairly independently of public policy matters. If the previously noted changes have something to do with Britain’s Conservative governments, then what exactly did the state and the various governments do to modify behavior –conduct (*conduites*), as Foucault would have put it– to such an extent?

We will use Weber’s term “bureaucratic revolution” to account for the transformation achieved by the British state, and we will examine the case of hospital services in order to identify the mechanisms by means of which this bureaucratic revolution has worked to transform individual and group behavior. In our conclusion we return to the notion of bureaucratic revolution and the state’s role in regulating society.

Bureaucratic revolution and state/market interdependence: more market, more state, and so more market

The impact of the radical transformation initiated by Britain’s Conservative governments has been shown in many studies, many of them focused on public policies, and by more constructivist analyses, some inspired by the thinking of Pierre Bourdieu or Michel Foucault (Rose, 1991). Our starting

point is different. We first sort out quite synthetically some classic texts by Marx, Polanyi and Weber, seeing where these authors stand on the role of the state, to explain these changes in behavior. It seems useful to us to return to the question of the state in the contemporary context of “globalized” capitalism. A part of the social sciences is still structured by the notion of an opposition between state and market, political and market spheres. However, Weber in his analysis of bureaucracy convincingly shows that bureaucracy, the state, and the rational, codified rules of modern capitalism developed alongside each other at the same time: “Viewed social scientifically, the modern state is an ‘enterprise’ (*Betrieb*) just as a factory is; indeed, this is precisely its specific historical characteristic. The relations of domination are identically determined in the two cases.” (Weber [1918] 1988, p. 321). The state, in Weber’s account, gradually imported or imitated forms of organization initially devised for commercial and industrial activities. Weber points out the importance of standardization procedures in both spheres: they are what guarantee predictability of behavior and results. In other words, the development of the state and the development of capitalism share a fundamental feature: reasoning in terms of bureaucratic rule and rational calculation. This seems to us of striking relevance today: the implementation of public policies and reforms related (to varying degrees) to what is now called “new public management” (Ferlie *et al.*, 1996; Pollitt and Bouckaert, 2000) is a contemporary illustration of Weber’s understanding that business management models were imported into the public sector.

Mobilizing the state in the service of capital?

In classic approaches, state-driven transformation of society is typically analyzed in neo-Marxist terms. This was very much the case in Great Britain during the Thatcher years. Marx was the first thinker to have shown that the self-regulated market, the putatively free and effective play of market forces, amounts to a utopia. On Marxist and neo-Marxist accounts, the state played an essential role, namely in connection with primitive accumulation of capital and with ideology, the latter a reflection of the dominant force in society. This argument has been applied in various empirical studies; *e.g.*, Logan and Molotch’s classic 1987 sociological study of urban growth coalitions and how urban real estate markets operate in the United States, which empirically clarifies the social role of the state in growth coalitions: the state first intervenes as guarantor of social order, namely through ideology and by regulating the various social interests (a classic neo-Marxist argument), as social order is an essential condition for real estate investment; it later intervenes in the accumulation phase, making below-market-price land or subsidies available to real estate developers.

This type of analysis has been used to explain the changes in British society. The role of the state in Thatcher’s political program is understood to have recreated the conditions for profitable accumulation. Such analysis also

emphasizes ideology and maintenance of social order. Many authors stressed the shareholder democracy's use of ideology, the nationalist mobilization during the Falklands War and the government's obsession with security.⁽¹⁾ Other authors focused on maintenance of social order, analyzing how the courts became implicated in regulating occupational relations, the legislative limitations imposed on unions, and the confinement of sections of the poor. On this view, the retreat of the state and the drastic reduction in state intervention, together with privatizations, allowed for the creation of new markets that were then subsidized by the state; the state put in place the conditions required for investment and, in some cases, speculation. There was indeed close cooperation – a growth coalition, to use Logan and Molotch's term (1987) – between the financial interests and the main state economic actors for the purpose of ensuring economic development. The state in this case did not disappear; indeed it organized that phase, determined its pace, played the role of regulator to the full, while also subsidizing the accumulation phase.

Do these accounts suffice to piece together our puzzle? Not really. Though analysis in terms of ideology, beliefs, and interest coalitions does help explain the mobilization of part of the British population around Thatcher's neo-liberal program, it does not explain routine behavior, changes in it, and the micro-transformations regularly observed in everyday life. All these dimensions go beyond the strictly political dimension taken into account in Marxist analysis of the state's role. The changes we are considering are more far-reaching: they are properly social changes. Explaining the state's ability to change British society, as neo-Marxists did, with reference to Thatcher's (and the subsequent) neo-liberal project is important but may not be sufficient. What is needed is more in-depth analysis of the strength of the social changes associated with this political project, the mechanisms that were operative, and a fuller appreciation of the *continuing* role of the state.

The state creates market society by reorienting the behavior of market actors

Marx brought to light the political and economic wellsprings of market operation, but it was Polanyi who developed the more thorough critique of the ideology of the self-regulated market and its effects on industrial societies. In his famous work of 1944, *The Great Transformation*, Polanyi emphasizes much more than Marx had the importance of social and political parameters in market activities. In addition to his celebrated analysis of the embedded market, he underlined two features that are essential to understanding what he called market society in a capitalist system. First, and with much greater precision than Marx, he stressed the state's ability to create, manipulate, and sanction the behavior of actors on the market; that is, to shape and orient

(1) These analyses were developed in the 1980s by thinkers associated with the magazine *Marxism Today* who were trying to get out of the Marxist mold by taking into account cultural studies analyses (Stuart Hall's, for example) or analyses of post-Fordism.

behavior by defining the parameters of market activities. Second, he emphasized the fact that a market society requires particular social conditions and behavior, which go beyond property rules or ideology. In order to function, the self-regulated market has to be organized within a “market society”, and such societies do not spontaneously emerge but have to be constructed and developed, namely by the state. For Polanyi, the self-regulated market was an institutional structure created and planned through state-led intervention. And he showed how the development of the self-regulated market required massive, continuous state intervention –interventionism– and control: “Regulation and markets, in effect, grew up together. The self-regulating market was unknown.” ([1944] 2001, p. 71).

The central question remains: what is market society? How was it created? Polanyi turned to anthropology to develop his critique of economic liberalism, purporting to show that *homo economicus* is the product of market society, not the other way round.

Following Polanyi, we would insist that a market society cannot be defined exclusively in terms of the two Marxist components –i.e., a society in which abilities to resist market mechanisms have been annihilated by constraining legislation; a society in which a neo-liberal program has become hegemonic in Gramsci’s sense. As we see it, it also has to be defined as a society in which the daily behavior of organizations and individuals is oriented and indeed constrained by –brought into line with– the principles of market economics. This understanding will allow us to move forward in resolving the puzzle, as long as we specify a mechanism⁽²⁾ and a process that make it possible to “realign” behavior or conduct in this way. These are as follows: 1) control and destruction of social relations, 2) the creation of market actors by mechanisms that minimize insecurity and unpredictability.

The first argument is familiar; it is at the heart of Polanyi’s work. He gives numerous grim examples of how traditional social structures, social solidarity and institutions were battered and ultimately destroyed by the market. By not only enabling but actually encouraging actors to behave efficiently as rational, egoistic actors, market regulations destroy the normative foundations of institutions and collective action. The state can help create such foundations. It can introduce and maintain a set of rules that constitute the parameters within which market mechanisms can have an impact. Market society is constructed first of all by institutions that delegitimize other kinds of behavior and/or make self-regarding rational behavior more efficient and legitimate.⁽³⁾

(2) We use the term mechanism in Gambetta’s now classic sense, adopted by Hedström and Swedberg: “I take ‘mechanisms’ to be hypothetical causal models that make sense of individual behavior. They have the form, ‘Given certain conditions *K*, an agent will do *x* because of *M* with probability *p*.’” (Gambetta, 1998, p. 102).

(3) This is the perspective of neo-institutionalists who reject the “methodological individualism” shift supported by Brinton and Nee (1998) and analyze instead the way actors and interests are partially constructed by institutions (Powell and DiMaggio, 1991).

Creating structures for rewarding and sanctioning individuals is the second fundamental point in our argument. These structures work to produce and reproduce the social order. This brings us back to Weber's analysis of bureaucracy.

A new bureaucratic revolution?

As we see it, the altered behavior of individuals and organizations, in the British case, can only be understood in terms of the power to transform society; a power, on Weber's account, possessed only by bureaucracy. He used the term "bureaucratic revolution" to characterize the ways in which individual conduct is changed "from without" by altering the conditions to which they must adapt. In his analysis, bureaucracy as a revolutionary force stands opposed to the other great revolutionary force, charisma: "As we have seen, bureaucratic rationalization can also be a revolutionary force of the first order vis-à-vis tradition. And it has often been such. But, like every transformation of the economy, it revolutionizes by *technical* means, in principle 'from the outside' [*von außen her*]: first facts and rules [*Dinge und Ordnung*], then, on that basis, people; the latter by altering the conditions to which they must adapt [*Anpassungsbedingungen*] and then perhaps by increasing their opportunities to adapt [*Anpassungsmöglichkeiten*] to the outside world by setting rational ends and means. In contrast, the power of charisma rests upon belief in revelation and hero worship, on the emotional conviction of the importance and value of a manifestation of a religious, ethnic, artistic, scientific, political, or whatever sort; in heroism (be it ascetic or military), in the truth of wisdom, in the magic of grace, or some such. This belief revolutionizes people 'from the inside' [*von innen heraus*] and seeks facts and rules according to its own revolutionary will and character." ([1922] 1972, pp. 657-658).

Charisma and bureaucracy are indeed two revolutionary forces for social change, *i.e.*, for the destruction of traditional social systems and the creation of new systems, with all that this implies of violence and resistance. The two forces are nonetheless profoundly different. Charisma operates in particular, contingent contexts, is hard to control, indifferent or hostile to the economy (*Wirtschaftsfremd*), and aims to change individuals and their culture "from within" via the mechanism of *conversion*. By contrast, the transformative power of bureaucratic rationalization is perfectly compatible with economic modernization; it makes behavior more predictable and works to organize the social order on the basis of calculation, efficiency and rationalization. This is a force that creates new institutions that then help define actors and their interests via the mechanism of *adaptation*.

This brief comparison of Polanyi's market society and Weber's bureaucratic rule highlights the reward structures that work to produce the social order. In both these types of social order, stability is ensured by creating

reward systems that guarantee a certain level of behavioral predictability.⁽⁴⁾ Scott (1996) has suggested differentiating between the two types of social order by looking at what techniques and instruments are used to ensure action and action result predictability, and what intermediaries are assigned the task of oversight. However –and this is our main point here– not only do the decidedly different types of logic operative in market and state correspond to compatible forms of social organization, they are in fact complementary forms.

Weber's classic analysis of bureaucratic instruments shows the effects of "command and control" mechanisms on the behavior of civil servants, who have to obey their hierarchical superiors.⁽⁵⁾ However, Polanyi is more skeptical than Weber about the law's ability to guarantee social stability in market society. The question of actor obedience and loyalty within a bureaucratic rule system, independently of control and surveillance mechanisms, is a classic one in the social sciences.

Bismarck's famous remark that providing a state-paid retirement pension was the best way of guaranteeing civil servant loyalty puts us on the track of incentives, *i.e.*, the rewards available to a bureaucracy. This is what provides civil servants with stability and predictability, in exchange for which they supply obedience and loyalty. When loyalty is systematically rewarded, actors can be commanded and their obedience relied upon. Exaggerating slightly, we could say that Weber suggests that stability and predictability are two key mechanisms for securing civil servant loyalty and predictability of the results of actions taken by those subject to bureaucratic rule. However, Weber is clearly aware that bureaucrats are ill-adapted to innovation, instability or leadership. Stability, which is what makes predictability possible, does not characterize market relations. We do not yet have a means for understanding how an unstable social order such as the market can produce stability.

In using Weber and Polanyi this way, we seek to draw attention to an insight of theirs that is occasionally neglected by sociologists; namely, the properly political –not merely social– construction of the market.⁽⁶⁾ It is important to specify, however, that the two authors were originally interested in the emergence of the self-regulating market, not changes in state

(4) Polanyi argues that market societies are based on individual motives that combine profit-seeking with fear of want, or, in more urgent terms, "the profit motive and fear of starvation". This is fairly close to Weber's analysis of reward structures in the capitalist system. Regarding fear of starvation, Weber and Polanyi follow Marx: what led peasants to accept work contracts was the fact that they had no means of acquiring the means of production. Weber went further, drawing up a list of all occupational categories in the same situation, including soldiers, civil servants –and scien-

tists. He explained that Russian soldiers in World War I continued to fight even when they had had enough because doing so was their only means of survival. Regarding the "profit motive", the *Protestant Ethic* is quite clear on how that ethic justifies profit-seeking.

(5) We have deliberately simplified Weber's approach here for analytic and heuristic reasons. Weber's analysis is, of course, more complex.

(6) For a good example of political construction of the market, see Lorrain (2005) on the three models of urban capitalism.

management as such. Weber does not analyze the market as a utopia in the way Polanyi does. But though Weber does not develop the idea of embedded or dis-embedded economic relations, nor does he think of the market as a spontaneous order, but rather as a relatively recent invention, even an artifice. In his St. Louis lecture of 1906, he spoke in near-Polanyian tones, distinguishing the old economic order from the new in terms of motives and organization principles: “The old economic order asked: how can I give, on this piece of land, work and sustenance to the greatest number of men? Capitalism asks: from this given piece of land, how can I produce as many crops as possible for the market with as few men as possible?” (Weber [1906] 1948, p. 367). Regarding peasantry or “rural life”, he concludes the paragraph with reference to “the thousands of years of the past struggle against the invasion of the capitalistic spirit” (*ibid.*).

We are well aware that we are using a different analytic framework from the one envisaged by these authors. Likewise, for our analysis of contemporary developments, we have borrowed Weber’s analysis of the political construction of the market and what is for him the crucial point of behavioral stability and predictability in a legal, rational bureaucracy, which he opposed to the unforeseeable, discretionary nature of administrations in bygone periods, which made it more difficult and perilous for private actors to know what to expect. The creation of a rule of law and a bureaucracy whose behavior is predictable is therefore essential in Weber’s thinking on the political construction of the market.

Our analysis thus shifts somewhat away from Weber’s original in terms of “bureaucratic revolution”. We have borrowed his category of predictability in order to show how, in the opposite way, the state can in fact render the behavior of individual and collective actors predictable by promoting incessant change, destabilizing institutions, and creating a new sanction and reward system.

Market system actors’ behavior is not usually cast in such terms as obedience to orders, but rather in those of the pursuit of self-interest. This poses a problem for market society’s social stability. How can the predictability of actions and their consequences be ensured when actors are no longer obliged to be loyal within a stable, predictable environment? Polanyi rightly points out that pure market society is a mere utopian idea because the market raises insurmountable problems of social stability that can only be resolved by recourse to non-market resources and regulations.

From his point we derive the following proposition: market relations do not necessarily constitute a problem for hierarchical or power relations; the two types of relations may actually be mutually reinforcing.

The question of controlling and orienting society in ways that go beyond “command and control” instruments and direct hierarchy-driven interventions is at the core of contemporary studies of the state, governance, regulation, the increasing number of dialogue and steering instruments, instruments for inter-individual and inter-organization consulting (Salamon, 2002; Hood,

2007; Hood *et al.*, 1999; Politt and Bouckaert, 2000; Lascoumes and Le Galès, 2004, 2007). Studying the German situation and the ungovernability of complex societies, Mayntz (1993, 1999) raised the question of how autonomous actors, groups, networks and social subsystems could be coordinated and steered. In contrast to these studies within the field (or construction site) of governance, our study starts with radical change in individual and group behavior at the micro level –behavior that is very much in line with market society. How does a state succeed in producing this transformation? By what mechanisms?

In other words it seems important to give priority to the institutional transformations that result from state and bureaucracy commands and their effects on actors' behavior and orientations, rather than to beliefs, politics and ideas. This hypothesis is examined below in the light of an empirical case: the transformation of British health care, the National Health System (NHS).

Competition, discipline, sanction, reward

The changes in actor and organization behavior observed in Britain are explained, as we see it, by a “bureaucratic revolution” in Weber's sense, implemented by governments from 1979 onwards. The state created institutions and introduced regulation by the market, thereby gradually modifying everyday or routine behavior.

Explaining how the changes that constitute our puzzle became possible and acceptable is beyond the scope of this article. However, for understanding the British case, it seems worthwhile to recall the role of the state and the political context of the 1970s.

A less interventionist, centralized state governing “at arm's length”, weakened by the economic crisis

It is perhaps useful to recall that Great Britain is a multinational kingdom to which the word “state” cannot be readily applied, as analysts have long noted. Britons are subjects of the Crown, and the central government is only one component of the state, itself represented by the monarch. The notions of common good, general interest, public domain are quite distinct from the question of the state. There is no body of public law in common-law countries.⁽⁷⁾ The British political system, classically designated the “Westminster model”, is organized by and around Parliament, and there is no written constitution. Historically, the central government has not played the same role as in France or Scandinavia. The powerful elites of the business and financial

(7) This classic affirmation has been rendered irrelevant by the Europeanization of law and the emergence of quasi-public law in Great Britain.

world, particularly the City of London, have always been sharply critical of state intervention. The relatively low level of state intervention is reflected by the relatively minor historical weight of public spending as a percentage of GDP, except during the 1930s and after World War II, though long-term trends are strikingly parallel and relative gaps have not widened over time.

TABLE 1. – *Changes in the weight of public spending as a percentage of GDP*

| | Around 1870 | Around 1913 | Around 1937 | 1960 | 1994 | 2000 |
|----------------|----------------|----------------|----------------|------|------|------|
| United Kingdom | 9.4 | 12.7 | 30 | 32.2 | 42.9 | 39.2 |
| France | 12.6 | 17 | 29 | 34.6 | 54.9 | 51.4 |

Source: World Bank figures, updated for the OECD's *Economic Outlook*.

This in turn means that the central government has had a less interventionist role than in France and that market mechanisms and the professions (or “the club”) have continued to play a more important role in how the country is governed (Moran, 2003). Comparisons in terms of state traditions, type of welfare state (Esping-Andersen, 1990) and variety of capitalism (Shonfield, 1965; Crouch and Streeck, 1998; Hall and Soskice, 2001) bring to the fore the British state's roles of arbitrator, preserver of tradition, and regulator.

But this did not prevent the state from developing highly effective “hands off” or “arm's length” governing modes on the basis of a London civil service elite (Moran, 2003; Burgi, 1992). However, analyses of public administrations have classically criticized not just the small, elitist central administration but what their authors consider relatively inefficient, dysfunctional local authorities and services such as the railroad system and the imposing National Health Service organization.

It is important to bear in mind the depth of the crisis Britain found itself in the 1970s. Internally and externally, the country was thought of as the sick man of Europe. The country's state of economic decline, particularly pronounced in the industrial sector, was made starkly clear by its 1975 appeal to the International Monetary Fund during an unprecedented financial crisis and by the reiterated strikes that culminated in the 1978-79 “winter of discontent”. The issue of decline had haunted political debate among historians since the late nineteenth century. Moreover, the crisis-struck Britain of the 1970s was profoundly divided: Scotland was mobilized but the referendum that would have won it a new status was not passed; the UK's unenthusiastic entry into the European Community in 1973 had deepened political divisions inside the political parties; the political and trade union left had become much more radical, leading to numerous labor conflicts. These divisions produced strong political instability, as reflected by the surprise victory of Heath's traditional Conservatives in 1970, the return of Labour in 1974 in a double election, the sudden resignation of Prime Minister Wilson, replaced by

Callaghan in 1976 after a bitter struggle within the Labour Party, and finally the 1979 elections, where Labour seemed caught in an impasse.

Thatcher's program did not elicit much enthusiasm, but other solutions had failed. The calls for a return to a less interventionist and more efficient state model, for individual and family dynamism in place of labor unions and public sector bureaucracy, for restoring Britain's greatness, resonated with the population. Even in their minority governments the Conservatives had proposed a way out of the crisis that relied on tried and true models and myths, such as the superiority of market regulation over a public sector that was neither strongly legitimate nor efficient. The electoral system gave a clear majority to the Conservatives: 42% to 45% of the votes. Thatcher won three consecutive elections, enabling the Conservatives to pursue their program for eleven years, and John Major, her successor won a fourth. These consecutive election victories profoundly weakened the opposition.

British governments, particularly the Thatcher governments, used classic state instruments to impose market discipline on the British economy, reducing labor union power, privatizing public housing, slashing public spending. These points are made quite clearly in Gamble's famous study, *The Free Economy and the Strong State* ([1988] 1994). Here we mean to bring to light other dynamics, which seem to us just as important, and which we have grouped together under the term "bureaucratic revolution".

The example we use brings to the fore two mechanisms that seem to explain medium-term changes, *i.e.*, changes over a ten-year period. In practice the two mechanisms combine in most sectors, but they are analytically distinct.

The scope of this article allows for no more than a limited case-study demonstration. We have chosen a stylized presentation of the change mechanisms implicated in one such case, a presentation that makes them appear fleshless and suggests they were able to run without contradictions or unintended consequences, without eliciting any resistance. Contradictions, unintended consequences and resistance are of course very important, but they are not the focus of this article. We do mention them in the conclusion, however.

Creating an internal market: competition and a new system of rewards and sanctions for creating rational, selfish, competitive entrepreneurs and individuals

For Thatcher's Conservatives, the public sector was the cause of Britain's many ills, and their first priority was to transform and reduce the weight of this sector while lowering taxes.

From 1979, then, it became a relatively systematic strategy of British governments to create internal markets or quasi-markets for producing and supplying services within the public sector, thereby transforming or, in New

Labour language, “modernizing” various sectors.⁽⁸⁾ The method was fairly simple; it involved organizing provision of public goods and services on the basis of market principles –*i.e.*, competition and trade based essentially on prices and contracts– and establishing a clear “purchaser/provider split”. Making a profit became the structuring principle for organizing goods and services supply and the workforce. To attain this goal, Britain’s massive vertical, hierarchical bureaucracies were replaced by a set of smaller, relatively autonomous “agencies”, less tightly controlled by “command and control” instruments. Each agency was responsible for keeping within its annually fixed budget. The agencies’ relative autonomy allowed for managing human resources in ways that did not comply with the civil service rules in effect or acknowledge the weight of labor unions. A segment of agency director and staff salaries could vary as a function of agency performance –namely financial performance.

Each agency bought and sold services to others, sometimes within the same organization, ministry, or hospital. Agency goals depend of course on agency area of intervention, but all had to comply with the fundamental public management doctrine first formalized by the Thatcher government as “value for money”. The term is inspired by audit practice (Saint-Martin, 2000) and includes three principles: 1) obtaining public policy inputs at the lowest possible cost; 2) getting the best possible performance for the given input level; 3) being as efficient as possible in attaining the stated goals.

Many agencies were not granted a monopoly over the given task or function; either their geographical perimeter was enlarged or their functions were diversified. In other words, agencies often found themselves competing with other organizations.

Marxist authors were already analyzing the effects of competition on organization and individual discipline (Harvey, 1989). Harvey stressed the regulation mode implied by competition –*i.e.*, externally imposed discipline– and the sanctions threatening anyone who did not play the game. Competition was codified by the agencies themselves, the government, in some instances the media; all helped in developing rankings and performance indicators that would work to make the logic of competition seem natural and desirable. This

(8) The notion of quasi-market designates aspects of public service supply that cannot be or have not been privatized but are nonetheless organized according to market principles, specifically, competition among production units or service providers. The internal market of Britain’s National Health Service is an oft-cited example of a quasi-market. Patients can only gain access to hospitals through their general practitioner (GP); the National Health Service allocates an annual budget sum to GPs for “purchasing” operations from hospitals that provide what they [the GPs] consider good quality for the price (quality/price ratio). The

government hoped physicians would get hospitals to compete with each other, which would improve the service provided by hospitals; *i.e.*, the quality and price of operations. Paul du Gay (2004, p. 46) describes quasi-markets as a form of hands-off governing: “What we have here, then, is neither traditional Weberian bureaucracy nor a free market but a governmentally constituted quasi-market. It is the formation of opportunity structures and environmental parameters rather than routine daily decisions that is the object of organizational manipulation.”

is turn allowed the government to refuse to allocate resources to other areas, to reduce such resources, and to remove other questions from the policy agenda. Competing successfully gradually imposed itself as a principle for legitimating public action. And it became naturalized as an ineluctable constraint.

The national healthcare system had been a source of pride for Britons after the Second World War. Gradually, however, and despite the fact that this cannot be proved irrefutably, it had come to be thought of as one of the most poorly performing in Europe in terms of care quality and costs. Consequently, after the principle of decentralized agency management had been extended to most British public service sectors, the National Health Service too was forced to undergo fundamental transformation. This only began in 1988, after the third election victory of Thatcher's Conservative Party, and it ran up against deep resistance. The principles of the reform were laid out in a White Paper entitled *Working for Patients* (1989). The reason the Thatcher government waited almost ten years before creating an internal market in the NHS was that it needed indisputable political legitimacy to impose this reform on Britain's highly structured, independent medical professions. However, when New Labour came to power in 1997, it adapted and strengthened the framework that its Conservative predecessors had developed for the NHS, as is clearly shown by the Labour government's own 1997 White Paper, *The New National Health Service: Modern, Dependable*. New Labour has since reformed the internal National Health Service quasi-market, regulated it differently rather than abolishing it. The major difference lies in the heavy budget increases that Labour governments have allocated to the service.

Market or quasi-market mechanisms were only gradually introduced into the health system. The first move was to withdraw some hospitals from Regional Health Authority control. This was done by creating "trusts", foundations with their own budgets, authorized to compete with private hospitals. Trust hospitals therefore became *de facto* independent agencies, "providers" of services to doctors on the one hand, the Health Authority on the other. Conversely, family doctors, general practitioners and Health Authorities became hospital service "purchasers". To guarantee annual funding for hospitals and their various units, the Health Authorities negotiated annual renewable contracts with them. These contracts had to be won through competitive tender. The aim was twofold: first, to make hospitals more sensitive to the demands and goals of the authorities that were funding them; *i.e.*, the central government and its agencies, and to their customers (the general practitioners sending them patients); second, to improve hospital effectiveness and efficiency. The NHS was known for its extremely long waiting times. The new system was first applied to some hospitals only and a certain segment of physicians. Annual adjustments were made before the system was generalized to the entire Service.

What were the micro effects of this state-driven transformation of the state's own bureaucracy? Individuals in the agencies first had to cope with a shake-up of the familiar punishment and reward system. Creating multiple agencies and introducing market mechanisms had a profoundly destabilizing effect on

individuals and organizations that were accustomed to hierarchical relations and relatively predictable career advancement. In the decentralized agency system, individuals –particularly department heads– could be rewarded in three ways: promoted faster than before, within an agency or between agencies; paid salaries that were no longer determined by the civil service grid or any other standardized professional grid but depended solely on performance; granted strong independence to implement goal-reaching policies. As long as directors abided by the iron law of “value for money”, they were relatively free to proceed, and in any case were no longer constrained by heavily codified procedures. The sanction system was also changed: employment security was no longer guaranteed; agencies could be closed down and their workers left jobless; salary levels could be cut; less skilled employees lost bargaining power.

Consider the example of a surgical unit organized as a cost center. Budget concerns are at the core of the organization. A hospital unit can no longer just wait for patients. Every year it negotiates with physicians to determine the price of a given number of a given type of operations. If one hospital can provide the physician with appendix operations at a better price than another for equal quality, it is in the physician’s interest to purchase such operation packages at the lower price because his/her income depends on ability to negotiate the best price possible, all things being equal. A hospital unit that is managing costs will hire surgeons, nurses and other staff in connection with a set activity forecast. It buys services from its hospital, other NHS agencies or private companies. The performance of each hospital unit is carefully measured by a battery of quality and cost indicators. Quality can be measured in various ways: consultants choose indicators from among those used in international comparisons; professional associations or national institutes discuss how to translate the notion of quality into indicators (this can vary from one field to another); patient representatives are allowed to contribute their opinions. If a heart surgery unit cannot provide quality service at a competitive price (classic quality indicators are patient survival rate and length of post-operation life, and percentage of complications requiring renewed hospitalization), then doctors will no longer purchase operations from it, customers will no longer be sent for treatment in it, and the unit may well close. Conversely, a high-performance unit can attract and pay the best surgeons, purchase modern equipment, increase its productivity. Finally, the rules of the game in these National Health Service internal quasi-markets change every year in accordance with policy priorities, budget allocations and performance goals.

In practice, hospital units were at first extremely destabilized. Individuals lost their bearings. The practice of using indicators and the process of learning new game rules were experienced as traumatic by the different groups. Labor unions and physicians were strongly opposed to the changes, in the name of professional ethics, and this provoked considerable conflict and tension.⁽⁹⁾ It took considerably more than a year to get the new system in place. However,

(9) We have not studied these resistances and tensions, which have been regularly voiced at length in British daily papers and deserve systematic analysis.

some unit and hospital directors were delighted to escape the previous system of constraints. The best-known, most highly performing and enterprising among them had regularly complained of NHS constraints and bureaucracy. The new game rules gave them the opportunity to reorganize their units, criticize certain professional practices, push aside colleagues reputed to be poor physicians or surgeons –but also rivals, use classic management formulas to put pressure on hospital staff. Agency directors found themselves facing a well-known dilemma: should they resist implementing the new rules, adapt to them unflinchingly, or –the path chosen by most– accept some of the new rules, reject others, and practice constraint avoidance behavior? At the outset, the agency system created enormous chaos. Gradually, the rules of the game were specified and criteria and norms developed; new points of reference were institutionalized. The change –*i.e.*, adopting market mechanisms to healthcare and hospital management– was gradual. Sanctions played a significant role in disciplining employees. In three years of experimentation, the closing first of hospital units, then of entire hospitals, illustrated the very real risks incurred by individuals who did not abide by the new rules. A unit that refused to apply the new accounting system and budget rules lost its funding and was in danger of being closed. Agency funding and budget regulations thus made it possible to format –render predictable– individuals’ problems and their approaches to acting within hospital units.

Employees had to show they could perform well within this system, that they knew how to take advantage of their new independence from procedure, take initiatives, initiate reorganization moves, negotiate contracts, capture market share, innovate. The former reward of employment stability was replaced with greater organizational autonomy and greater independence in implementing programs.

Agency-driven reorganization had the effect of differentiating between “the quick and the dead”; *i.e.*, those who could adapt quickly, react, seize opportunities, and those who were merely waiting and were therefore doomed to disappear. Individuals’ accelerated lives in these agencies were more interesting and exciting; they had more autonomy and strategic capabilities, and they could obtain substantial rewards. Even quick, innovative individuals could of course one day find themselves moving against the current of their agency and be forced to leave, but in the short term the agencies profited from individuals’ full commitment, energy, ability to innovate. As explained by classic economic theory, it is in the agencies’ interest to have motivated, highly performing individuals working for them. These smart individuals would one day also disappear, of course –therein lies the power of market mechanisms. Within the new competitive agencies, individuals enjoy greater room for maneuver and autonomy, but they remain an adjustment variable, and however bright and quick they may be, they are still the ones to pay for individual and collective failures.

The market’s power to orient individual behavior is based not on hierarchy and obtaining obedience but on the system’s ability to give individuals autonomy –we might almost say its ability to emancipate them from earlier

bureaucracies. This makes their behavior more, rather than less, predictable. Creating agencies and getting them to compete with each other –namely for scarce central-government resources– worked to depoliticize some of the issues related to redistribution. In the end, the effects of this process appear the result of the dynamism and performance of autonomous individuals and organizations acting within quasi-markets. How far we have come from public debate!

In more analytic terms, contrary to producing an exchange of loyalty for stability, market mechanisms create an unstable, destabilizing environment that weakens individuals, who start fearing for their careers and jobs. The power of hierarchical superiors, the central government, state elites is maintained by creating incentives and sanctions aimed at making individual behavior predictable. In the case of the National Health Service and its hospitals, unit directors, doctors and in some cases even nurses gradually adapted their behavior in fundamental ways for the purpose of maximizing their unit's effectiveness and efficiency score. Maximizing profits and the interests of individuals and the organization became the central concern of hospital units. And it was not the invisible hand of the market but the visible hand of the state that distributed punishments and rewards, with the aim of bringing into being a rational, egoistic, utility-maximizing individual, even when that individual was a doctor or nurse. The reiterated application of such incentives and sanctions year after year (facilitated by the Conservative Party's four consecutive election victories) and the evolution of those incentives and sanctions (New Labour adopted very similar principles) worked to naturalize such operation modes, to sweep away the old, de-legitimated system, and to preclude any alternative ones from making real headway. Once New Labour had adopted the Conservative framework, the predominant feeling was that there would be no turning back. Individuals working in hospitals, namely the people in charge of those hospitals and their units, gradually became entrepreneurs evaluated by means of criteria established by the central government and relayed by the agencies themselves –almost independently of all other considerations.

Auditing, inspecting, ranking and sanctioning: exerting constant pressure in order to reorient individual and organization behavior

The strength of the British bureaucratic revolution is that it has activated mechanisms whose effects have come to be felt with even greater force in the medium- to long-term. This applies in particular to the mechanisms engendered by systematic use of public policy instruments such as audits and rankings (Lascoumes and Le Galès, 2004). In other words, by setting up auditing procedures of the sort developed and applied in the private sector, the central government transformed the rules of the public policy game.

Two trends have developed in British public management: 1) public sector regulation has become an enormous undertaking, even greater than private sector regulation; 2) government regulation of the public sector has become much more complex, precise and specialized. Control capacity of this

magnitude had to be constructed from scratch. Historically, the health professions were overseen and regulated in Great Britain by professional inspection regimes and bodies created in the nineteenth century. The primary goal of inspection was to check compliance with professional norms and standards in a consensual framework for improving hospital *services*. Most inspectors were former hospital unit heads themselves (comparable in this respect to France's National Education inspectors). This classic government approach to regulation (Hood *et al.*, 1999; Baldwin and Cave, 1999) was drastically changed by the arrival of a new instrument –“league tables” (see below)– and the introduction of auditing procedures.

To reform British public administration, the Thatcher government turned to the ideas of neo-liberal economists and management models used in the private sector. For the Prime Minister herself it was obvious that private sector business management should be the reference for reforming all public sectors, including healthcare. Introducing mechanisms that would exert pressure on healthcare costs was a government priority; however, it was also a delicate matter given public support for the National Health Service. As early as 1979-80, new programs and organizations began appearing as part of the offices of the Prime Minister and Chancellor of the Exchequer; namely, the Efficiency Unit and the Scrutiny Programme, part of the Exchequer's Financial Management Initiative. In 1983 a major innovation was introduced that went relatively unnoticed at the time: the National Audit Office, designed to audit the public sector.⁽¹⁰⁾ It was on this occasion that the new iron law of British public management was formulated: “value for money”.⁽¹¹⁾ All spending and all programs were to be judged on the sole criterion of the cost/efficiency ratio. This required developing indicators, performance measures, means of inducing competition and assessing competitiveness.

How were these indicators, these knowledge acquisition instruments, to be produced? The transformation began when the Thatcher government created the National Audit Office (this was later split in two; we are interested in what became the Audit Commission). The National Audit Office was developed independently of and indeed counter to the aforementioned professional inspection regimes. The aim was to produce management indicators based on the presumably neutral criteria of good business management and independent of local context; then to compare organizations so as to encourage the spread of “good practices” and sanction bad ones. This amounted to a system of continuous pressure to achieve management efficiency as determined by performance indicators. The measurement system itself was created not on the

(10) Power's analytic study (1997) and the major studies conducted by Christopher Hood and his team have shown the dynamics and effects of using audit and inspection in Britain. With the proliferation of government agencies, new instruments were developed to produce coherence and orient behavior as a function of public policy priorities. Inspectors, auditors,

public market regulatory codes proliferated; a “competition office” was created, etc.

(11) In *Building the New Managerialist State* (2000), Denis Saint-Martin shows how this formula originated in direct contacts between Thatcher and representatives of the Management Consultancies Association.

basis of professional association recommendations but the model furnished by the prestigious Chartered Institute for Public Finance and Accounting, the central institution of Britain's business auditing and inspection system.

Consequently, the management and performance indicators that were developed and how they were applied and checked had to comply with the four auditing principles (Hood *et al.*, 1999):

- auditor independence from audited organization, auditor professionalism (the opposite of peer review models);
- fixing apolitical, non-local goals, standards and measurable results; *i.e.*, the same criteria have to be applicable in different contexts;
- emphasis on procedure and process standardization, *i.e.*, regardless of particular situations or policy goals;
- systematic case comparison using precise performance indicators and measurements.

This was a rigid, robust, and indeed hyper-rationalist iron cage (Le Galès, 2004). The Audit Office checked figures; it worked to create standards and measures. The beauty of the mechanism was the clear view of public management it afforded central government. Agency performance could now be measured by the “value for money” yardstick. The advance of computer technology in the 1980s made it possible to generalize the “reporting” process; *i.e.*, activity reporting designed to account for actions taken and measure distances from set goals –but also gaps between the given hospital and high-performance ones. Healthcare managers had to comply with this new system of constraints, which at first involved measuring costs, producing the indicators demanded by the government, reorganizing hospital units and re-hauling the accounting system. Hood *et al.* (1999) claim that these control processes marked a return to the Benthamite utilitarian tradition. Bentham (as Polanyi too had noted) and his disciple Chadwick championed strict central inspection (Hood *et al.*, 1999), consistent with Bentham's saying: “The more strictly we are watched, the better we behave.”

Hospital indicators

In 2000, the Labour government revised the indicators, in part to show that its management approach was different from the Conservatives'. In a strategy document entitled *NHS Plan: A Plan for Investment, a Plan for Reform*, it drew up a detailed set of indicators and management goals. The former include such points as emergency room waiting time, waiting time (in weeks) for an appointment with a specialist, waiting time for an operation. Specific, detailed goals were set for hospital and hospital unit directors, physicians and nurses. These include a hospital ranking system; rankings are published every year. The government created the National Institute for Clinical Excellence (NICE) to measure the costs and effects of established and new treatments, an

essential instrument for rationalizing healthcare provision. Lastly, on the Audit Commission model, the Labour government created a specialized oversight group, the Commission for Health Improvement, in charge of producing indicators, measuring performances and auditing hospitals.

Ranking systems –the system used in the NHS is called “league tables”– constitute a classic new public management instrument for getting organizations to change. Competition, the race to meet preset quantitative goals, and the use of a reward and punishment system often induce actors to move in the direction desired by the given system’s promoters. The first biennial British hospital ranking was published in 2001 by the Health Ministry.

All hospitals (public hospitals and foundations; 170 were included in the first ranking) were ranked in three categories –no star, one star, two or three stars– on the basis of the following criteria, all in the form of performance indicators.

Hospitals are graded on a scale of one to five along twenty criteria, including the following:

- emergency-room waiting times;
- number of patients not receiving an operation within 29 days of the cancellation of a scheduled operation;
- hospital cleanliness score;
- waiting time for an in-hospital consultation;
- number of patients waiting over two weeks for an appointment with a cancer specialist after their GP has detected a risk and requested an examination;
- rate of patient deaths in the 30 days following an operation (per 100,000 operations);
- rate of patient deaths in the 30 days following a cardiac operation (per 100,000 operations);
- number of emergency readmissions after release from the hospital;
- improvement score for eliminating cases of infections contracted in hospital;
- criterion for eliminating mixed-sex hospital rooms;
- patient satisfaction score;
- rate of patients whose transfer to another hospital for medical reasons was delayed;
- staff absentee rates (%).

Moreover:

- each hospital is ranked in one of the three categories; three-star hospitals are rewarded with additional funding while no-star hospitals are sanctioned financially and must submit to tighter controls;
- all indicators for each hospital are compared to national averages;

- the evaluation sheet for each criterion specifies whether the hospital has reached its own goals or not;
- the positive or negative difference from the national average is measured.

In 2001, thirty-five hospitals were awarded three stars; twelve got no star. The latter group was immediately put under the control of the newly created NHS Modernisation Agency, charged with reorganizing hospitals to improve efficiency and overall management. The sanction for individuals was thus very real. The ranking attracted media attention to the Epsom and St. Helier NHS Trust, identified at the time as the worst trust in Britain; the media were also there to deplore the poor rank of the prestigious Oxford Radcliffe Hospital Trust. Conversely, the performances of the highest ranked hospitals were put forward as management “benchmarks” that other hospitals could then be compared to. “Three-star” hospital managers obtained two substantive rewards for the following year: greater management autonomy; higher funding and other capabilities for developing their activities. “Two-star” hospital managers also got more resources but no greater management autonomy.

The publicity given to the indicators greatly helped institutionalize “good” management criteria. At first, some hospital directors said they would not take into account rankings that had been established by a small group of senior civil servants and consultants. The association of hospital directors lodged an official protest immediately after the first ranking was published, claiming that the criteria were arbitrary and obscure and the methods for measuring and overseeing performance questionable since hospitals were complex organizations. However, the results announced did elicit reaction, and the conclusions proved hard to ignore. The “winners” greatly helped legitimate the instrument: hospital heads were delighted and rewarded their management teams. Moreover, their prestige in the professional associations was greatly enhanced. Some hospital unit heads got hired by other hospitals to bring up poor scores or weak ratings; in some cases they received substantial salary raises. Others were called to even more prestigious offices in the National Health Service or the government itself. On the sanction side, getting a low rating meant undergoing increasingly heavy pressure; hospital units and ultimately entire hospitals were gradually closed down. Health Minister Alan Milburn officially invited directors whose hospitals were performing poorly to leave if they could not significantly improve performance in the following year.

The rank-related sanction system was put in place only after approximately ten years of Conservative reform. The systematic reiteration of ranking processes naturalized the instruments and gradually legitimated hospital closures, though they have always been contested at the local level. Poor scores on care quality indicators were powerful legitimation instruments: closures were justified not in terms of cost but always in connection with protecting patients and further improving the performance of the major hospitals that were already getting all the resources.

The sanction system was put in place very slowly. Under the Thatcher governments it became conceivable to close hospitals. Later, single hospital units began to be closed. Under New Labour governments (after 1997), fifteen hospitals have been closed. Following a period of state investment, the Labour government went back to stressing the importance of sticking to a budget. The massive deficits of many hospitals led to new closures and closure threats. At the time of writing (2005), the government was contemplating closing 60 hospitals located throughout the country and concentrating resources and advanced technologies on a few immense flagship hospitals.

The audit and inspection approach has gradually led to greater standardization; the strictly managerial dimension has come to dominate the more political aspect of management (Miller, 2005). This puts strong pressure on staff. Strategic priorities, local population needs, political choices have been set aside; emphasis is now on meeting and surpassing performance levels in any way possible and competing to get good marks for the units of the given hospital. Doing so now amounts to political and professional success. “Winning” hospitals are slowly acquiring the promised financial independence and proudly displaying to envious colleagues the innovations made possible thereby. All such developments and information are relayed by the professional press and professional associations, conferences and colloquia.

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We have used Weber’s notion of bureaucratic revolution to explain changes in the behavior of individual and collective actors in Britain; *i.e.*, to account both for processes that worked to destroy existing social relations and the new framework developed for punishing and rewarding actors. Following Weber and Polanyi, we have tried to show how political power is used to import market mechanisms: politics and the market are therefore complementary. In order to discipline actors, reward them, and make them accept a new institutional environment, almost a new work ethic, there has to be a centralized state, one that controls all resources for a relatively long period (thereby diminishing the credibility of alternatives and the likelihood that protest will succeed). In sum, we are tempted to say, there has to be a strong state. We have identified the instruments that the British central government used to introduce market mechanisms such as compulsory competitive tender into hospitals and to transform hospital units by evaluating them in terms of central-government-defined indicators. We have also stressed medium-term dynamics that gradually change behavior and make it more predictable –this last point is central to our analysis. A central government that can modify goals and indicators will greatly increase its steering capacity. Bringing about change by acting on norms and indicators –*i.e.*, practicing institutionalist-type change– will, as we see it, have cumulative medium-term effects, a strong factor in social and political change. The bureaucratic revolution initiated by Margaret Thatcher’s Conservatives was pursued despite the changeover of

political power; the substance of that revolution has been adopted and pursued by New Labour.

We have not mentioned thus far the limits of these changes. Contrary to the claims of some management gurus, a change based on organizational and institutional change does not necessarily change individuals “inside”; it does not necessarily alter what Weber called their “*Gesinnung*” –basic orientation; it does not necessarily change their values or cultures. This means that though we have brought to light medium-term dynamics that produce fairly systematic changes in behavior, those transformations are of course not univocal and do not automatically lead to changes in individuals’ values or beliefs. In some sectors, people did organize opposition to the changes. In other cases, individuals adapted to the new framework without changing their values or beliefs. Still others strongly resisted the reforms at the micro level.⁽¹²⁾ Lastly, the unplanned, unsought effects of these changes have been systematically brought to light in Britain, leading New Labour leaders to change their indicator system once again.

In some respects, our interpretation here –the triumph of “the managerial spirit” as analyzed by Ogien (1995)– may seem fairly ordinary. But in this case the managerial spirit was serving a political project for restructuring the state in such a way as to align it with global capitalism. This suggests that it would be worthwhile bringing together studies in the sociology of management, management formulas, and resistance to management and management formulas in public and private organizations more systematically with studies on the dynamics of transmitting and resisting against practices, either at the specific level of mechanisms, as Segrestin has done (2004), or in the more uncertain quest for a “new spirit” of public organizations, in line with Boltanski and Chiapello (2006).

To conclude, let us point out a paradox of contemporary studies of the state: the contradiction between the observation that societies have become ungovernable and the observation that the state still controls the means of coercion. Authors working in the areas of multi-level public policy, regulation and governance have provided evidence that state centrality is being eroded, questioned, lost. Political science and sociology studies of public policy and later of public action have made it possible to deconstruct the category “state”, to free ourselves of its weight so as to be able to analyze how things really operate, the real dynamics of institutionalization, government and governance, and moves to reform the state. Studies of public policy emphasize, for example, the illusory unity of the state, the way different loci of power are in fact interpenetrated and power itself fragmented, the non-methodical nature of the dynamics shaping European Union governance, multiple interactions among groups and organizations, state failure. They offer little evidence of the state’s ability to radically change behavior. In

(12) On unexpected effects of these processes and ways of using them toward ends other than the intended ones, see the long-term Public Services research program of the Economics and Science Research Council: <http://www.publicservices.ac.uk/category/research/>.

contrast, some critical sociology studies stress the triumph of neo-liberalism and state-imposed discipline –indeed, some of our arguments here are consistent with this. However, to be complete, we would have to examine in detail the impasses and failures of such programs as well as means of resisting against them.

These contradictory views on the re-composition of the state suggest the relevance of developing a sociology of the state that would be more in tune with “the new phase of the state” identified by Poggi (1996), a sociology that would partially correspond to regulation analysis (Hood, Rothstein and Baldwin, 2001). Hood and his colleagues have suggested that the state now acts more by applying rules and determining standards and parameters for public action than by actually intervening. Britain is a laboratory for changes of this sort.

Finally, if our interpretation in terms of “bureaucratic revolution” is correct, then diffusion and imitation mechanisms should be able to be identified far beyond Britain. As we see it, the changes currently underway in French public management –public management of research, healthcare and decentralization, for example– deserve to be analyzed in these terms.

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