

**Democratic Experimentalism:
What To Do about Wicked Problems after Whitehall
(And What Scotland May Just Possibly Already Be Doing)**

Paper presented to the
OECD Conference on Devolution and Globalization
Implications for Local Decision-makers
Glasgow, Scotland
28/29 February 2000

Charles F. Sabel
Columbia Law School
+212.854.2618
cfs11@columbia.edu
<http://www.law.columbia.edu/sabel>

Rory O'Donnell
University College Dublin
+353.1.706.8848
Rory.ODonnell@ucd.ie

1. Why Reform of Democratic Governance is on the Agenda

Quietly, without the raucous clash of party and program that mark even lesser stirrings, democracy is on the move. The economic turmoil and political revolts of the 70s and 80s together with the globalisation of world markets that continues today have brought renewal as well as disruption. At the local level citizens in many countries are directly participating with government in solving problems of economic development, schooling, policing, the management of complex ecosystems or drug abuse. Their successes, though manifestly fragile, already suggest possibilities of public co-ordination that even recently seemed beyond reach. Central governments of nearly all political colours at times encouraged these developments by devolving authority to lower levels and loosening the grip of public bureaucracies on the provision of some services while wholly privatising others. At times they simply tolerated local experimentation by waiving formally, or through inaction, their statutory rights to specify how programs are administered. Viewed from the centre government seems reformable (surprisingly so, given recurrent fears that the modern state would prove a new feudal overlord), but more in its capacities for self-limitation and dis-entrenchment than its positive abilities to co-ordinate and construct. Viewed from the local problem-solving units, the central government seems indispensable as an ally in the consolidation of nascent innovations, but capriciously unreliable in its ignorance of local circumstance and its own potential to foster development. Both perspectives take government as disjointed and fragmentary, not formative and framing. In this they invite questions about the practicality and legitimacy of representative democracy, which centers law making in the legislature, in a world where the centre devolves more than it directs.

In the United States this confusion is largely masked, and the questions it raises are muted. Because of its malleable federalism, its proud tradition of domesticating government by setting its branches to war among themselves, and the validation of US institutions, whatever their actual coherence, by the current successes of the American economy, America revels for now in its disjoint state. Not so the European Union (EU). There the transformation of the regulatory law of the member states into an EU regime—harmonisation is the anodyne but inaccurate term of art—occurs by an obscure process of committee consultation far beyond the supervision of the European Parliament. Excepting a few experts in comitology (who anyway disagree sharply among themselves in claiming some democratic justification for the harmonising consultation), the common view is that this law making itself is an important instance of a larger democratic deficit in the constitution of the EU, and hence a threat to the Union's material successes. Further scrutiny heightens the doubts: Regional policy, again largely beyond the ambit of parliamentary control, transfers vast sums from some areas within the EU to others. At the least the transfers stir up local politics, giving emergent economic and political groups new possibilities to challenge local elites. But the effects can be transformative, or nearly so. In the Republic of Ireland EU regional funds helped finance construction of a national system of local public-private partnerships creating problem-solving, participatory local governments of the kind referred to above, and like those paralleling and competing with the constitutionally provided ones.

No EU member state is more disposed to see in these changes a menace and an opportunity than Great Britain. No other country combines such deep traditions of parliamentary centralism and inveterate localism: whatever forces rend these apart reverberate powerfully here. No other EU member went so far as Great Britain in tearing up the fabric of its modern constitutional order in the 1970s and 80s, trying to distance itself from much of its past while retaining its national identity even as it assimilated to the Union. (The cover of an authoritative book on that period reads simply *The End of Whitehall*. You must turn to the title page to uncover the cautionary addendum: *Death of a Paradigm?* (Collin Campbell and Graham K. Wilson, Blackwell, 1995)). In search of renewal, moreover, Great Britain, together with the other Whitehall countries—New Zealand, Australia, and Canada—went farther than other countries in applying familiar models of corporate governance based on clear distinctions between

conception and execution to the reform of government. It learned, in consequence, more than other countries about the limits of these principal-agent models, and the need, at least, to correct them by forms of governance that take means and ends to be mutually determining.

Beyond all this there is the matter of regional devolution. Great Britain is unique in the EU in managing the (mostly) orderly devolution of quasi-sovereign powers to three historic regions, according them qualities of post- or para-nationality while maintaining the integrity of the existing union. This effort recalls, but surely will do more than simply recreate, the forms of sovereignty and nationality that prevailed in composite states such as Switzerland, Netherlands and the British isles themselves in the period before Westphalian nationalism. Articulation of these new relations imposes on London and Brussels no less than Cardiff, Ulster and Edinburgh the obligation to make democratic, effective sense of the provided resources and institutional apparatus afforded by Great Britain and the EU. The open questions are especially acute in Scotland, where some of the local governance of economic development and schooling already approximates the new problem-solving model. Will the links to be established between the new Scottish Assembly, the ministries of the new Scotland, and local government mirror on a smaller scale the traditional ones? If so, the result may be to create a belated modern nation, but at the cost of disrupting promising innovations. Or will the constitution of those links contribute, on the contrary, to a redefinition of these institutions, and so to a renewal of our understanding of the possibilities of democracy itself? If nothing else Great Britain and Scotland are knowingly at work on democracy.

To think through the emerging relation between national and local government, changing notions of governance, and their implications for democracy in the British-Scottish setting connects a general enquiry with the daring and hard-nosed realism that come when theoretical problems turn practically urgent. Such, in any case, is the ambition of this essay. The argument is compressed, even schematic; so we anticipate the steps here for orientation. Part 2 sets the stage. It briefly reviews the common features and the common limits of the constitutional settlements defining democracy in the advanced countries since mid-century, when not before. It then shows how the Whitehall countries' response to those limits, and especially their use of principal-agent governance as the template for a reformed democracy, created in turn new problems of effective co-ordination and accountability. Part 3

details thoughtful, closely related proposals currently advanced in Great Britain, Scotland, and the US to address these limits in order to respond to the "wicked problems" of co-ordination: for example, drug abuse, economic development, schooling and others whose solution requires local provision of differentiated, complex bundles of services. The manifest shortcomings of these proposals suggest that the principal-agent model, however modified, can transpose the familiar problems of democracy but not resolve them.

The rest of the essay develops an alternative. Part 4 argues that modern firms operate on pragmatist, not principal-agent principles. Instead of trying to resolve ambiguity by creating clear goals (the province of the principal) and clear roles for achieving them (the responsibilities of the agents), this firm accepts that ends and means are mutually defining. Hence initial choices of each must be corrected, and corrected again, in the very effort to realise the projects they embody. We illustrate the differences between conventional and pragmatist firms by comparing their respective methods of design and the relations they establish between customers and suppliers. Part 5 shows how the application of the pragmatist model in public administration leads to a new, participatory and experimentalist form of democracy. The role of the administrative center in this experimentalist democracy is not to set rules and police compliance. Rather, with local units, it defines broad projects, and sets provisional general standards. In addition it provides infrastructure by which local units can achieve their own goals, and pools measurements of performance to allow refinement of the general standards as well as the particular local strategies in the light of results. The resulting organization is neither a formal bureaucracy nor an informal network, yet it combines the capacities for super-local learning characteristic of the former with the access to local knowledge characteristic of the latter. We illustrate this experimentalist democracy at work by looking in detail at governance reform in the Chicago public schools. Finally, returning to the discussion of the reform of reform underway in Great Britain, Scotland, and the US, we raise questions about the implications of this example for rethinking the role of parliament, ministries, and local communities in a democracy, and wonder whether some Scottish institutions, such as the LECs, are already operating on pragmatist lines. But the essay trails off without even a provisional conclusion. That we hope to write in discussion with you.

2. The Administrative State, Delegation, and the Aftermath: The Short Story of Whitehall from Beginning to End

The problems agitating representative democracy today are rooted in an antinomy that has bedevilled self government since the end of the nineteenth century: Formally, democracy requires that all citizens be treated alike, regardless of differences in their life circumstances. But practically effective co-ordination under modern conditions requires attention to just these differences. Reconciling these demands has required institutional innovations as well as changes in the understanding, if not the explicit constitutional design of representative democracy.

The great institutional innovation, and the one that forms the context for the problems under discussion here, is of course the administrative state: the rules and institutions that together regulate economic exchange, and provide services and security to citizens most vulnerable to it. The doctrinal innovation that legitimated the administrative state is the theory of delegation. That theory reaffirms the formal sovereignty of the legislature as the authoritative source of law. But it also recognises that no assembly can itself competently address the complexity of modern society. Hence the legislature is allowed to delegate some of its sovereign authority to other entities, more proximate to civil society and so able to specify rules suited to particular contexts beyond the ken of a central lawmaker. In electing parliament citizens manifest their equality; in delegating authority to administrative bodies parliament takes account of their distinctiveness.

Delegation of legislative authority took two main forms. In the Whitehall system, parliament entrusted civil servants with responsibility for translating general laws into precise rules in distinct policy areas, and co-ordinating activities across areas. Expertise, exercised collegially and informed by dedication to the public good, enabled officials to do both. In the neo-corporatist states of continental Europe—Germany, Italy, the Nordic countries—authority was delegated not to the civil service, but to the affected interests in civil society themselves: trade unions, employers' associations, and the like. These organisations were presumed to represent the natural and mutually complementary constituents of industrial society—labour and capital first and foremost. Because the groups depended on each other, and society depended on

their co-operation, they could be entrusted to make law in the name of democracy by negotiating among themselves.

Most countries are in fact, of course, a combination of the two. Trade unions have a place in the British polity as surely as civil servants have a place in the German one. But nowhere is the mixture more evident than in the US. The constitutional battles of the New Deal were fought precisely to delegate congressional authority to expert agencies, on the one hand, and to interest associations, such as trade unions and employers' associations, on the other, who were to resolve differences through collective bargaining.

In the long term these forms of delegation produced neither accountability nor effective co-ordination. The reasons are clear in retrospect. The jurisdictions of interest groups do not naturally conform to the boundaries of the problems they need to solve: not, unless by sheer luck, at first, when problems and groups are initially defined, and surely not when problems begin to change (perhaps in response to the groups' own actions). This is true if only because interest groups have interests of their own, which grow out of, and reinforce initial institutional boundaries. This sedimentation makes adjustment to new circumstances increasingly difficult. The less adapted the organization of interest groups is to its environment, the more partial and self-interested the interest-group representation. Exactly the same can be said of bureaucracies, their jurisdictions, and the self-interest of bureaucrats. Combining delegation to interest groups, as neo-corporatism does, with delegation to the civil service in the fashion of Whitehall compounds error by obstinacy. Or so at any rate has been the increasingly vehement sentiment in almost all the advanced countries since the late 1960s.

The first measures to issue from the growing concern about the accountability and efficacy of the administrative state were in the way of palliatives and correctives. The US was among the first to react. It lacked both the tradition of the tutelary state and the tradition of government by estates of the realm upon which Whitehall and neo-corporatism could build. In addition it was well armed against any possible aggrandizement of government by the separation of powers. Federal judges tried to pry open the collusive iron triangles of interest groups, expert agencies regulating their behavior and congressional committees with oversight responsibility for the regulatory agency. Courts also created regimes for the vindication of rights by groups

(minorities, prison inmates, women in the work force) whose interests are not well protected either by interest groups or administrative agencies. On occasion the judges simply acted as regulatory bodies themselves, as, for example, in the break-up AT&T (long the equivalent of a European PTT). Congress tried to limit the authority delegated to regulatory agencies by writing detailed legislation (the Clean Air and Water Acts, for example) that substantially reduced the scope for agency discretion. The president tried both to limit congressional interference in the agencies to protect the executive branch, then tried to limit the agencies discretion to reassert the presidency, and so on.

While the branches of government squabbled over accountability, moreover, each level of government—federal-, state, municipal—was devolving responsibility for formulating or implementing policy to a lower one, or to NGOs, in recognition of the impossibility of asserting effective control on its own. Periodically this devolution was interrupted by hapless efforts at bureaucratic re-centralization (imposition of strict rules on NGOs; "re-categorization" into distinct accounts of funds initially dedicated to separate programs and the pooled into block grants) to limit the exercise of discretion made possible by decentralization. The Reagan Administration's overt attack on the New Deal State was thus in many ways as much continuity as change, and debates about its significance remain accordingly murky.

The New Public Management and its Limits

In the Whitehall countries reactions to the problems of administrative delegation came later rather than sooner, but were all the more vehement and thoroughgoing for the delay. The tardiness had to do with the absence of dis-entrenching mechanisms such the US courts and the separation of powers. Without them interest groups and bureaucracies could fortify their positions. Political traditions valuing social consensus and deference to an administrative elite gave a patina of legitimacy to the bulwarks of the state. The vehemence of the reaction was a response to the backlog of unsolved problems. But it was also a consequence of the first-past-the-post electoral systems and unitary governments of countries like New Zealand and Great Britain. Such systems produced big winners: narrow parliamentary majorities a free hand to implement radical programs.

The driving idea of the New Public Management (NPM), taken directly and openly from US economics of the 1980s, was to re-establish the

control the democratic principal—the sovereign people acting through elections—over its agents in government by reducing insofar as possible the ambiguities of delegation. Just as shareholders were to wrest control over the corporation from managers, perhaps in collusion with the work force, so the citizens were to retake control of their state from public officials and interest groups.

This assertion of "straight-line" accountability required a profound transformation in the organization and scope of government. Conception was to be separated from execution: If self interested agents can effectively set tasks for themselves as they collaborate in the setting of goals, then they recommend goals that provide themselves with rewarding tasks, regardless of whether those goals are in the interest of the public or not. Instead, politically appointed ministers, supported by expert staffs and hired consultants, were to determine strategy, and civil service managers were to execute it. By the same logic the scope of responsibility of individual ministries, and the programs within them, was reduced. Asked to pursue multiple goals simultaneously, agents will naturally have to make tradeoffs among them, and will favor trades that serve their interests first, and the public interest accidentally if at all. The narrower the scope of the ministerial portfolio or individual program, the less the danger self interest can use competing purposes as a lever for its own ends. These changes led to a decentralization of authority within administrative units, and an increased emphasis on measuring, and increasing, the satisfaction of the citizens (now recast as customers) who were the beneficiaries of particular services. The clearer the goals, and the less the chances for conflict among them, the smaller the need for middle managers to break complex tasks into simpler ones, adjudicate differences of opinion about the priority of competing programs, or rate the performance of subordinates in the face of further ambiguities. Instead, given the narrow, flatter structure of administration, front-line managers with a clear understanding of their purpose would determine how best to achieve it. Customer satisfaction would be the measure of their success. All these changes, went hand in hand with an emphasis on global performance measures: (improvements in) crime rates, numbers unemployed persons placed in jobs, test scores (of the competence of students at various grade levels and their teachers), and so on. Performance of tasks sufficiently simplified to admit of straight-line accountability could be captured by such metrics; conversely, the definition of the performance metrics helped encourage the necessary

simplification of tasks. Instead of trusting co-ordination of public policy to unreliable, because self interested negotiation among interests or collegial consultation among civil servants, management of public affairs could be by results.

A consequence—for some reformers the very purpose—of these reforms was a reduction in the scope of government itself. The clearer the purposes of government, and the more measurable the results of its actions, of course, the easier it is to translate the tasks of public administration into contracts, and to hold contractual partners to account if they fail to meet their obligations. This made it easier for government, first, to contract with private parties, instead of its internal units, for the provision of service: what mattered to the public as citizens and consumers, after all, was the contractual terms and the respect accorded them. Straight-line accountability thus made the monopoly of public administration on service provision contestable in theory. (Making it contestable in fact took an endless series of battles that are already becoming hard to recall now that they have been mostly won.) Second, contractability and contestability made it easier wholly to privatize some government functions such as the provision of water or electric power. This transfer of formal ownership turned the analogy between private and public governance advanced by the principal-agent reforms into an identity.

The successes of the NPM in establishing the contestibility of public administration and devolving authority are indisputable and largely taken for granted by the vast middle of the modern democratic polities. At the most general level, leaving particular victories over inertia and self dealing aside, it has shown that the public can prevail against the interests and experts. We made the state; learning from our mistakes we can remake it. This realization distresses on the one side advocates of the traditional administrative state, who often treated modern government as a kind of natural organism evolved in the primordial broth of contemporary society and destined to flourish with it. But it also, perhaps paradoxically, discomforts those partisans of NPM for whom the advance of privatization and contestability were vindications of the truly natural form of co-operation—the market—against unnatural co-operation by means of politics and the state. It is easy to understand their baffled outrage at the ability of governments like those of President Clinton and Prime Minister Blair to absorb key lessons of the NPM—and go on with governing.

But measured by its own standard—as a movement to restore accountability and effectiveness to government—the results of the principal-agent movement are equivocal at best. Government in the Whitehall countries, Great Britain in particular is arguably less accountable, and on balance, no more effective than before, for two reasons connected to the principal-agent underpinnings of the reform movement itself.

First, it has proved impossible to separate strategy from implementation, or more generally, conception from execution. Those who carried out orders learned not only how to refine the execution of tasks, but also which tasks might be worth pursuing. Nor was it just public or private-sector service providers who acquired knowledge relevant to goal setting in this way. Citizen users of the services provided also turned out to have knowledge relevant to choosing public purpose. Put another way, the principal/agent distinction was untenable in practice. At the limit, citizens proved to be in some measure the co-producers of services as well as consumers of them and, ultimately, their principal authors.

The upshot, as Rhodes shows in *Understanding Governance*, is that in Great Britain government agencies—responsible in the NPM scheme of things for the operational implementation of strategy—in fact develop a near monopoly of expertise in their policy area, notwithstanding efforts to outfit the politically responsible minister with capacities for strategic surveillance. Policy therefore emerges from innumerable small decisions, such that 'the agency tail will wag the departmental dog.' To increase the confusion, the department, emboldened by official encouragement to assert its directive powers, often uses its oversight responsibility to meddle in the details of agency decision-making. If results disappoint the minister can play on the ambiguities in the distinction between policy (her responsibility) and management (the domain of the operating agency) to avoid accountability. Civil servants are no longer in charge; but no one else is, either. Rhodes for one concludes that 'British government has undergone a significant decrease in political accountability(pp.102-3).'

Second, narrowing programs in the interest of accountability had the unintended consequence of making it difficult to co-ordinate the narrower entities. While a certain local clarity was achieved, at least within the limits just described, its price was an increase in general confusion. Given specific tasks, and encouraged by new incentive

systems to focus exclusively on them, and contract with others to provide collateral services, what was to induce the agencies to cooperate among themselves to solve problems requiring their joint action?

As Rhodes observes the resulting problems are most conspicuous at the level of local government. There are few efforts at government reform as vigorous and protracted as that aimed at local government by successive British governments. From 1979 to the early 1990, central government acted to control expenditure, limit taxing capacity, alter management, increase accountability, and redefine the legislative base: in short to attain "straight-line" accountability by applying all the devices of NPM to the public, private and voluntary sectors. But, Rhodes found, in the wake of the reforms,

services are ... delivered through a combination of local government, special purpose bodies, the voluntary sector and the private sector. Service delivery depends, therefore, on linking organizations. Policy implementation becomes more difficult because policy has to be negotiated with more and more organizations. Organizational interdependence is ubiquitous and the government faces the increasingly difficult task of steering several distinct organizations (p.100).

Both of these problems—the impossibility of maintaining the principal/agent distinction and the need for broad co-ordination to correct the effects of narrow steering—are manifest in the sudden salience of what the British call "cross-cutting" or "wicked problems": problems like the reform of schools or the provision of treatment to substance abusers that both draw on the local knowledge of service providers and service users *and* require co-ordination of service provision across a wide range of formal jurisdictions. These two problems have prompted a set of thoughtful proposals that aim to make use of the new plasticity of government created by NPM while attending to the movement's shortcomings. We discuss these next.

3. Whitehall Redux? Reforming the Reforms

The current British Government, through the Cabinet Office and other departments, has been among the most relentless critics of the shortcomings of the old administrative state, even as corrected by NPM, and among the most determined proponents of reforms to address the wicked problems—thought to be particularly acute with regard to social exclusion, small business development and environmental protection. In a series of innovative papers, it develops proposals for policy coordination (*Wiring it Up: Whitehall's Management of Cross-Cutting Issues*), new relations between the center and the local (*Reaching Out: the Role of Central Government at Regional and Local Government*) and the principles of good policy making and implementation (*Professional Policy Making for the Twenty-First Century*).

The starting point for all these reports is the conviction that the functional organization of government departments—the idea, coeval with the administrative state, that there can be some natural correspondence between the jurisdiction of problem-solving bureaucracies and the boundaries of core social problems—limits the possibility of addressing cross-cutting policy problems. These limits are exacerbated by practices permitted but not entailed by these bureaucratic structures. These include, for example, a failure ‘to look at things from the perspective of the consumer’, failure to work with local government, being ‘over-prescriptive in specifying the means as well as the ends’, an increased focus on core business as a result of delegation, and perverse incentives.

In response the reports suggest variants of what might be called a commando center: a crack team of civil servants at the very center of government who sue the powers of the bureaucracy to foster cross cutting behaviors, and so transcend the structural limits, without actually transforming the structures. The executive summary from "UK Cabinet Office Performance and Innovation Unit Report," February 2000, conveys the strategy:

- stronger leadership from Ministers and senior civil servants to create a culture which values cross-cutting policies and services, with systems of rewards and recognition that reinforce desired outcomes;
- improving policy formulation and implementation to take better account of cross-cutting problems and issues, by

giving more emphasis to the interests and views of those outside central Government who use and deliver services;

- equipping civil servants with the skills and capacity needed to address This report recommends action in six key areas to improve the formulation and management of cross-cutting policies and services: cross-cutting problems and issues;
- using budgets flexibly to promote cross-cutting working, including using more cross-cutting budgets and pooling of resources;
- using audit and external scrutiny to reinforce cross-cutting working and encourage sensible risk-taking; and
- using the center (No. 10, the Cabinet Office and the Treasury) to lead the drive to more effective cross-cutting approaches wherever they are needed. The center has a critical role to play in creating a strategic framework in which cross-cutting working can thrive, supporting departments and promoting cross-cutting action whilst intervening directly only as a last resort.

The central message of the report is that simply removing barriers to cross-cutting working is not enough.... A number of alternative approaches are described in the report...Creating the right environment in which these solutions can work is critical, and the signals which Ministers give civil servants about the priority they wish to be given to cross-cutting approaches is the key to it all. (The full report can be found at <http://www.cabinet-office.gov.uk/innovation/1999/wiring/Accountability/contents.htm>)

The reports give a lucid account of the balance that a successful commando center will have to maintain between intensification and relaxation of control, without suggesting how in practice this balance is to be achieved. Thus the Cabinet Office's *Wiring Up* paper insists that 'conflicting priorities will be sorted out at a strategic policy level and not allowed to undermine efficient and effective service delivery' (*WU*, 5.1). But is also insists on 'the need for the centre to recognise its limitations

and...to look to service deliverers and end-users to signal where there are existing (or potential) failures to work cross-departmentally (11.4). The same report emphasises the value of 'a clear over-arching framework of objectives and targets for each policy which can readily be translated into meaningful targets and objectives at lower levels of government' (WU, 5.1). Yet it stresses as well that a sophisticated approach to local measures and targets is needed so that they 'are not necessarily cascaded from those at national level but define what is needed at local level to deliver the national objective' (7.22).

In a closely related paper for the Scottish Council Foundation, *Holistic Government: Options for a Devolved Scotland*, Leicester and Mackay argue that creation of a new parliament and executive provides an opportunity to incorporate, from the start, the lessons of recent years. Drawing on the debates under discussion here, they too argue for selective use of many different of civil-service structure—each suited to some tasks but suffering from distinctive limits as well—to promote effective, inclusive and democratic governance. But they emphasize participation and partnership at least as much as an eclectic reform of the civil service. In particular they argue that the new Scottish government must be designed to employ a range of processes or 'operating codes' to make use of reformed structures singly and together. Besides the familiar forms of parliamentary debate, market contract and hierarchical administration these include managing networks, diplomacy, partnership, problem solving, deliberation and provisional consensus, direct democracy and participation, anticipatory government through scenario planning, preventative government through both participation and new forms of measurement, and flexible government through combining insiders and outsiders. (See also Perri 6, *Holistic Government*, on which much of this is based.) How exactly these "processes" are going to

Many, if not all, the tensions we identify in these reform proposals will be familiar to their authors. They advance their proposals because they assume—often without stating they do—that it is both necessary and impossible to combine the advantages of largely informal, local knowledge passed in networks with the panoramic capacities of formal bureaucracy. The commando center promises the necessary panorama. But creating a new bureaucratic elite with the flexibility to define cross-cutting projects invites a new centralization: a Whitehall redux, cut off from local knowledge and therefore co-ordinating in the dark. Devolution

to local networks might seem the countermeasure. But this is to put enormous faith in the self-coordinating abilities of society itself. It is to assume, as Perri 6 puts it that "the best that can be hoped for is a constant and shifting process of negotiations, bargaining games and mutual adjustment across networks of organizations, without overarching objectives" (Perri 6, 1997, p. 70). (Notice that the National Performance Review—the re-invention of government agency created by Vice-President Al Gore, operating in setting where the federal government never had the powers of even a chastened Whitehall, comes close to accepting this conclusion. Its current goal is to build "communities of practice" in which innovative local and state officials and network with each to create cross-cutting programs.) Given these irreconcilable conflicts between the two types of organization, and hence the need for tradeoffs, some combination of commando centers and networked locales looks reasonably attractive under current conditions.

At a sufficiently high level of abstraction this assumption is incontrovertible: only an omniscient being can have full knowledge of wholes and parts. But the assumption assumes away crucial, current innovations in the nature of organization itself, which, blurring the distinction between bureaucratic formality and networked informality allow for co-ordination in the changes of parts and wholes unattainable by conventional means. These breakthroughs, pioneered, but no longer limited or even best exemplified by modern Japanese firms, are now commonplace in diverse industries including automobiles, computers, semiconductors, athletic shoes and garments. We introduce the new model firm here to demonstrate the availability of an alternative to the principal-agent model that holds promise of relaxing the constraints that model treats as inherent in relations between center and locales.

4. The Pragmatist Firm and Democratic Experimentalism

The setting for the new model firm is the pervasive ambiguity of purpose and capacities we have just been describing. The principal-agent model takes for granted that principals know what they want, and the chief task of organizational design is to prevent opportunism by self-interested agents. The new model firm, and the form of public administration associated with it, assumes on the contrary that the chief problem for organizations is determining what they and their collaborators, internal and external, should do, and how. Firms operating on principal-agent lines try, as we saw, to clarify goals to prevent agents using from

ambiguities in the determination of ends from hijacking the organization. New model firms assume, like the scientists and citizens depicted in American pragmatism, that it is impossible, on the contrary, to eliminate such ambiguity. Instead, these pragmatist firms build organizations that allow for the clarification of ambiguous ends through the exploration of means, and vice versa: They deliberately perturb their beliefs by testing them in use, and unsettle what they learn from this by using it in new ways.

But note that in their emphasis on the search for means and ends pragmatist firm do not presume collaborators to be selfless and without guile. The presumption is rather that the same mechanisms that allow for the collaborative exploration of means and ends also allow permit assessment of the reliability of collaborators. A comparison of the design practices and customer-supplier relations in the two types of firms illustrates the distinctive features of pragmatist organization, and in particular the novel role of the organizational center.

In the standard firm initial product designs aim to be integral and definitive. Products are conceived from the first as integral wholes: Their major parts are customized to work only with other parts of the same make or model. This entails as well a striving for definitiveness from the outset in order to avoid inadvertent incompatibilities among the key components: Given the mutual specialization of parts, the discovery late in the product-development cycle that, say, the car engine is unsuited to the proposed transmission means a costly, time-consuming reconfiguration not only of these, but also of the chassis, electric system and so on. Centralization of design and timidity of design choices are by-products. The attraction of drawing on expertise outside the central design team is offset by fears that subordinates, even if well intentioned, might introduce innovations ultimately incompatible with other parts of the tightly connected design. With centralization goes timidity. Fear of possible incompatibilities also leads to the (re-) use of already proven components, at the cost of innovation. In practice, of course, the standard firm is not as centralized or timid as this schematic suggests. Rather, it knows the cycles of decentralization and recentralization, networking and commando centralism familiar from the discussion above.

Design proposals in the pragmatist firm are modular and provisional. The product is conceived from the first as a system of sub-systems or modules, each defined by and compatible with the others so long as it

meets a set of performance criteria. The first outline of the eventual design is elaborated by benchmarking: a central team reviews the characteristics of the best competing products, evaluates the possibility that potential innovations will move from research lab to market during the current design cycle, and then proposes a design reflecting feasible improvements and market-ready innovations. The design team then identifies module makers with the relevant expertise and asks them to evaluate and improve the module in their domain on the basis of their own benchmarking review of possibilities. As the parts are re-elaborated the center adjusts the overall design so that changes in one module remain compatible with the performance specifications of the other. Reciprocating changes in parts and whole continue (within time constraints imposed by the market) until a stable solution emerges.

This design process corresponds to an open or federated form of organization, rather than a closed one; it invites, indeed depends on the open consideration of alternatives rather than discouraging it. It would be pointless to call attention to new possibilities in the outside world through benchmarking only to dismiss them if their pursuit requires collaboration with outsiders. In effect, then, the organization has to be configured so that it can be substantially re-configured in every product cycle. Indeed such openness to "outside" points of view turns out to be an indispensable condition of the pragmatist organization's success: By using each of many different design proposals as a foil for understanding the strengths and weaknesses of the competing ones, the pragmatist organization can forgo much of the minute, initial analysis of design implications that standard firms require to ferret out hidden defects. This is why pragmatist organizations can manage the counterintuitive trick of considering a greater number of design variants than standard firms while shortening the design cycle and reducing design errors in the bargain.

These differences are reflected in turn in differences in the kinds of components standard and pragmatist firms buy from other companies, and the conditions under which they buy them: their customer-supplier relations. At the limit, because product designs are integral and parts, specialized for each, are suited to only one make or model, the standard firm buys little of consequence from outside suppliers. It is the only customer for its crucial components, and the only producer able to make them. This is vertical integration. But even firms that are vertically integrated in this general way are not completely self-sufficient. They

buy commodities—parts or materials whose relevant characteristics can be fully catalogued—in the open market; they buy products less fully specified than commodities, but not so enmeshed in the particulars of the design as a whole as those made internally from outside suppliers via long-term or relational contracts: agreements recognizing that ambiguities in contractual specifications will lead to conflicts, and therefore provide a mechanism, such as arbitration, for resolving them. (By fully specifying all the obligations of service providers in contracts, the NPM aimed at undercutting the need for vertical integration in the provision of services, thereby stripping the legitimacy from monopoly providers, especially government. Contractualization also made it harder for interest groups and civil servants to play on their expertise to enter into self-serving relational contracts with the government.)

In the pragmatist firm, in contrast, there is at the limit no difference between an inside and an outside supplier. Indeed it is unclear whether the firm need have any in-house production capacity at all. Any entity that can engage in co-design, and then produce modules that meet the agreed performance standard is a candidate supplier. Given the importance of keeping abreast of outside developments through benchmarking, and the risk that internal units can become mired in habit, external suppliers, themselves able to learn from a wide range of customers, may even be advantaged in competition with internal units that can learn only from one.

Similarly, because the parties can not say in advance what they intend to do together they can not regulate their relations by means of either spot contracts, used to exchange commodities, or relational contracts, which suppose clarity about essentials while providing for the resolution of marginal disagreements. They have recourse instead to what are artlessly called new supplier agreements: slim documents by which they obligate themselves to provide the information necessary to advance the collaboration (by fixing, for instance, one timetable for proposing design solutions, and another for responding to the proposals of other collaborators). As this same information provides a detailed look at the performance and promise of the other parties, it serves a crucial governance function as well: Given the agreed flow of information, each collaborator can periodically assess the capacities and reliabilities of those on whom it depends. (More generally, because this method of collaboration gives early warning of possible breakdowns in co-operation, outsiders can enter the system by undertaking relatively

demanding tasks, and then working their way up through the tiers of subcontractors as they demonstrate greater proficiency.)

On one hand, therefore, the pragmatist firm is more decentralized than the standard firm and its boundaries more contestable. The design center of the pragmatist firm lacks the conclusive authority of its standard counterpart. Conversely, specialized collaborators, above all those outside the formal boundaries of the firm, have powers of initiative in the pragmatist model that are denied them in the standard setting.

But on another, deeper level this contrast is misleading. It suggests that the power of decision making must be held either by the center or by the specialized locales. So the gains of one are always the loss of the other. But what we observe in the innovations of the pragmatist organization is something else again: The roles of center and periphery are being re-defined in ways that moot the question of the distribution of power between them, at least as measured by the yardsticks of the standard model. In the pragmatist organization the center proposes broad projects, facilitates reconciliation of alternative solutions, and monitors performance along the way. The locales propose solutions and adjust them, with the help of the center, in the light of proposals by other. As projects change, so too does the circle of collaborators. This is an organization that, from the traditional point of view is neither centralized nor decentralized, and lacks clear boundaries without being diffuse or boundless. Strange as it seems by conventional measures, this organization is, to judge by the epochal changes underway in the economy, more competitive than standard forms. Next we look at how pragmatist organizations are emerging public administration as potential answers to the wicked problems of co-ordination.

5. Democratic Experimentalism and the New Center in Public Administration

As pragmatist institutions are at home with ambiguity and complexity, the world of public problem solving is as much their habitat as the world of production and exchange. Indeed, they are particularly suited to addressing the wicked problems, whose solutions change in time, must be differentiated to suite varied contexts, and therefore require organizations that somehow combine apparently irreconcilable features of formal bureaucracies and informal networks. They do this in the public sector as in the private one by establishing a novel kind of formal relation between center and locales that provide transparency and

possibilities for systematic learning unavailable in informal networks, without creating the fixity that limits the capacity of bureaucracies to adapt.

To show in some detail how this new center works, and to indicate the very general conditions under which it can arise, we present the case of school reform in Chicago.

We focus on school reform because it presents in sharp relief a series of developments, culminating in governance innovation, observed in the US in areas as diverse as environmental regulation, the treatment of substance abusers, provision child-protective and other services to at-risk families, as well as reform of the police and many other aspects of the criminal-justice system. After decades of skirmishing, inveterate antagonists (in the case of education: school administrators, teachers and parents) exhaust confidence in their respective strategies and relax doctrinal commitments (more resources for the public schools as against privatization), not least because the partial successes of each side cast doubt on the validity of its larger program (more money for schools does not by itself lead to improved performance by pupils; pilot programs to privatize schools show how hard it is to write effective performance contracts to discipline providers). Facing urgent problems (crumbling schools and disastrous drop-out rates) the actors agree to explore new solutions, without agreeing to put aside differences in values that originally divided them (whether government is in principle good or bad). As they institutionalize their experimental efforts they stumble on arrangements that permit the piecemeal re-elaboration of complex wholes through the reconsideration of their parts: Local actors (individual schools and the parents, teachers and students that constitute them) are given substantial liberty to set goals for improvement and the means for accomplishing it. In return they must propose measures of for assessing their progress and provide rich information on their own performance. The center (the municipal or state school department,) pools the information provided by local actors and ranks them according to (periodically revised) performance measures that give substance to standards of excellence and definitions of inadequacy. In the best cases the center provides assistance to those that are not improving as quickly as their likes. At all events it eventually sanctions those whose continuing failure seems incorrigible. The system increases local innovation by allowing those on the spot to test, within broad limits, their assumptions of what works best. At the same

time it makes the exercise of local discretion sufficiently transparent to assure public accountability, allowing each locale to learn from the experiences of the others, and the polity as a whole to draw lessons from the experience of all. Thus is created a framework for establishing what is currently feasible, how those who fall short can work to achieve it, and those doing well can do better still. These arrangements allow the parties to get a grip, in a way to be specified in a moment, on problems whose complexity once seemed to put them beyond the reach of public action. They create new possibilities for citizens to steer public institutions that affect their vital interests by involving them in forms of problem solving that unsettle encrusted beliefs. Because this architecture, like that of the pragmatist firm, takes its own starting points as arbitrary, and corrects its assumptions in the light of the results that they produce, we call it experimentalist.

We focus on the Chicago reforms in particular for three reasons. The first is simply their scope and complexity. The Chicago school system is big enough, including the 560 elementary (K-8) and high (9-12) schools in the city limits, so that key aspects of the new relations between local schools and superintending center established in Chicago could plausibly be a model for large-scale change. Second the progress of reform in Chicago shows that it is possible to advance by deliberately disruptive half measures or bootstrapping: taking a step that both loosens the grip of the old system and prompts an exploration of alternatives, from which emerges a next step that does the same. The protagonists had good reasons for their actions every step of the way, yet came to understand the architecture of the new system they were building and how it avoided the apparently inevitable choice between bureaucratic centralization and market-mimicking decentralization only when construction was far advanced. Thus we do not have to learn exactly the right lessons from Chicago (or anywhere else) to address wicked problems as they did. Finally, the reforms are exemplary in their results so far. They demonstrate that large school systems can be made manageable in the sense that particular schools can say what they intend to do by way of reforms, and then actually do what they intend (or be held to account if they do not).

Chicago was one of the last of the large American cities to adopt the Progressive program of removing the public schools from what was presumed to be (and often was) the despoiling grasp of elected officials, and entrusting it to professionals accountable to their own best,

scientific understanding of their responsibilities, and of hierarchical organizations as uniquely efficient and—because of their formalism—incorruptible. But starting in 1947 a central office set budgets and made purchasing and personnel decisions for all the schools. In time selection of textbooks and the scheduling of the school day were centralized as well.

Even as the system was becoming more rule bound and hence less responsive to changes in its environment, the rise of the Civil Rights movement and insistence on school desegregation placed new demands upon it. A study commissioned by the school board in 1963 found that the new administration ignored the needs for local diversity. Central regulations, moreover, blocked local adjustment: Teachers could not even schedule discussions of possible changes in their home schools without headquarters' permission. The only sequel to the report was more reports confirming a worsening situation. By the mid-1980s citizens were so frustrated that advocacy of school decentralization had become a social movement including business interests, local groupings focused on problems in particular schools, and broad groups, such as Designs for Change, that elaborated decentralization programs and built networks of supporters through discussion of the ideas.

The first, deeply disruptive break with the old system came in the period from 1987 through 1996, and produced a thorough, but still largely conventional, form of decentralization. The immediate impetus to change was a teachers' strike—the ninth in the preceding nineteen school years—which came to symbolize the paralyzing system's self-absorption. The conflict seemed to require, engagement by wider circles, whose projects were in any case merging. The result was an alliance between Designs for Change and reformers in the business community in favor of state legislation providing for site-based governance.

Under the legislation each school in the Chicago system was to be governed by an elected local school council (LSC) composed, for elementary schools, of six parents, two teachers, two community members, and the principal. High school LSCs were to add a twelfth, student member. The LSCs were given the power to hire and fire the principal, prepare the budget, and develop comprehensive three-year school improvement plans. As part of the compromise with business interests, proponents of decentralization accepted system-wide monitoring of results by a central office created for the purpose. Early

results were mixed: Some school councils made wise use of their powers, others did not. There were cases of corruption. The reality decentralization brought to mind the virtues of centralized administration.

The next and decisive development of reform was passage in 1995 of further legislation clarifying the relation between local and central governance institutions and making manifest the novel division of labor emerging between them. The new law simultaneously increased the powers and capacities of local school councils to pursue their own course of action, and the powers of the central office to intervene in case the results of local decisions are unsatisfactory. For example, to increase local autonomy and capacity, monies previously passed from the central office to the schools for use for specific purposes—such as the construction of playgrounds—would now be available to them as block grants to be spent as changing local circumstances suggested. Authority over building engineers and janitors passed from the central office to the LSCs. Determination of class size and the schedule of the academic year were excluded as subjects of central bargaining between the Chicago public schools and the teachers union, and thus left to local negotiation. The law required additional training (funded by the central office) in the preparation of school budgets and improvement plans, as well as the selection of principals. To increase local accountability the law authorized the central authority to intensify scrutiny of poorly performing schools and place the poorest performers—those where fewer than fifteen percent of the students tested met national standards—on probation or remediation lists. Listed schools would be inspected by an "intervention team" that advised the LSC and school staff on instructional, administrative and governance improvements.

In practice the LSCs are autonomous enough to undertake fundamental reorganization of local schools, while the central intervention teams the remedial capacities to establish accountability, but in a way that reduces the dangers of reversion to centralized control either at the school level or above. Thus, in their three-year school improvement plans the LSCs can propose specialized programs in, say, dance or business, innovative methods for teaching disciplines such as mathematics, or new, project-based, collaborative pedagogies broadly applicable to nearly the whole curriculum. In the same plans the LSCs can also obtain financing for construction that facilitates curricular reforms, or makes the school more hospitable. An ambitious LSC can

reorient the school and its methods to put learning at the service of a social project and vice versa: In one case a school was rededicated as an academy teaching an Afro-centric curriculum by drill methods (Direct Instruction) thought by the principal and the LSC (but only a small minority of education experts) to be especially beneficial for disadvantaged students.

For their part, officials in the new center exercise their authority to complement, not challenge, the local autonomy. Even when a school is failing so badly that dissolution is immanent, the new center does issues no directives for reconstruction. Instead, the chief purpose of the intervention teams is to help the LSC prepare a "remediation" plan for removing the blockages to local discussion and decision-making that prevented improvement by normal means. Only if these turnaround plans fail is the school finally "reconstituted," and teachers and the principal required to reapply for jobs. This means that the intervention consists far more in analyzing with the local participants the causes of their past difficulties than proposing, let alone imposing, concrete measures for reorganization. Accountability in the form of remediation plans does not, in other words, plant the seeds of recentralization.

First indications are that the new institutional machinery works. A crude measure of the interest and participation of local parents in school reform is that elections to LSCs are orderly and attract competent candidates in sufficient numbers. Although it might be expected that only wealthy communities have the wherewithal to profit from the new institutions, poor communities have made as good use of local control as better off ones. Studies that rank LSCs by the effectiveness of their use of school improvement plans find the best performers as likely to be located in poor catchment areas as middle class or rich ones. Test scores are rising, but not, so far, in a pattern that can be connected to the effects of decentralization.

The one incontestable achievement so far is that, as noted at outset, local schools are manageable again. Reform plans are made and enacted. This is not, to be sure, a sufficient condition for effective reform: Enacting a bad plan does not improve a school or a school system, except insofar as it warns others away from a dead end. But manageability is a necessary condition of reform: Unless plans can not be made and implemented, any success is a matter of chance—the result of stumbling upon something that works—and efforts to learn from it will be haphazard as well. In making the schools manageable,

therefore Chicago decentralization creates a foundation on which further efforts to tackle the wicked problem of education can be build.

A more complete account would have to be at once more expansive and more cautious: More expansive because it would have to show how states such as Texas, Kentucky, and Florida are developing elaborate institutions for assessing performance of schools and pupils. Instead of setting minimum acceptable levels for the performance of teachers and pupils, as was commonplace in the 1980s, the new systems set standards for the improvement of schools, and reset these periodically in the light of actual experience. Instead of focusing exclusively on global outcome measures (math scores, graduation rates), the new systems provide more fine-grained measures of learning (ability to formulate a mathematical problem, ability to choose and manipulate the appropriate formalism). These operational or guiding standards are more like the measures of inventory turns or error rates that pragmatist firms to improve their performance than measures like stock price or growth rate that investors use to judge overall performance. They allow teachers and students to see where problems arise, and correct them before they ramify. Finally, instead of sanctioning poor performers, the new systems provide resources in the form of programs in professional development for teachers and, infrastructure for the exchange of experience, and funds for planning local school improvement. In short these states, and many others following their example, are becoming new, experimentalist centers, thus complementing and re-enforcing the governance reforms illustrated in the Chicago experience.

But the fuller account would have to be more cautious as well, underscoring the ways that old antagonisms—between, say public-school advocates and privatizers—can be fought out in new settings: By making standard tests very demanding, failure a bar to promotion and graduation, and refusing aid to students or schools that do badly, opponents of public education aim to precipitate an immediate crisis of the schools, and with profit to the privatization movement from the resulting frustration. But while old conflicts can still be revived, doing so takes an ever less likely alignment of the political stars. That itself is a crude measure of how much has already changed.

6. Parliament, Ministries: Democratic Experimentalist Possibilities for Scotland?

What are the implications of the introduction of experimentalist institutions on the general framework of representative democracy: legislature, courts, ministries? What is the relevance, if any, of democratic experimentalism for the institutions of the new Scottish democracy in particular? An answer to the first question exceeds the bounds of this essay. An answer to the second is beyond our competence. Nonetheless, by way of conclusion and introduction to discussion, we suggest a practical vantage point from which to consider the general implications of pragmatist institutions for democracy, and raise ask whether certain Scottish developments may have anticipated the transformations we are considering.

The vantage point that connects large, but still localized changes in democratic institutions to the possibility of a change in democracy itself is the new, framing center. In the education case we just examined this was the new central office of the Chicago school system, or its counterpart at the state level in Kentucky or Texas. But it could have been a ministry of health or an environmental protection agency as well. Its purpose, we saw, was to create a framework for experimentation by defining broad problems, setting provisional standards, pooling measurements of local performance, aiding poor performers to correct their problems, and revising standards and overall goals according to results. A convenient way to see the implications of such centers for the democratic solution to the wicked problems is to work down from this center to local units, and up higher level ones.

Working down we see that it is the local units that do the problem solving. It is they, not the central office, that experiments with cross-cutting solutions, combining various packages of services, delivered by different means, as circumstances suggest. Seen in isolation these units look much like the informal networks or intergovernmental institutions mentioned above, crossing boundaries to solve problems with little attention paid to the transgressions. But they do not operate in isolation. They are accountable to the center, and to their local constituents, who participate in formulating its plans, and judge it both against those goals and in comparison to the performance to the performance of other locales in like circumstances. This is not straight-line accountability in the principal-agent sense, nor the accountability that comes from the US separation of powers. But as the Chicago example shows it is both a real discipline and a real aide to systemic learning.

Working up from the center to its authorizing body—a legislature, typically—we arrive quickly at a conclusion about the essential features of the latter. If the purpose of the center is to frame experimentation, then the purpose of the legislation is, as it were, to frame the frame: to create a broad space within which the ministry can itself facilitate the search for and evaluation of solutions. Does this mean that the history of administrative state has come full circle and that the legislature is being asked to delegate unlimited authority to administrative agencies all over again? No, because the agency is not being asked to fill in the details of rules in the name of the assembly. It is rather the citizens who are doing that, under conditions of transparency that allow review by the public as a whole, the administrative agency, and those affected by the program in question. The shift is very broadly speaking away from representative and towards participatory democracy. That is "delegation" of a sort, but not self-evidently an affront to sovereign power of a people to make law for itself. The construction of parallel governments—one local government of elected officials, another, dedicated perhaps to economic development—composed of participant citizen problem-solvers—makes discussion of such questions anything but theoretical.

This brings us finally to Scotland here and now, and a final question. At a great remove it seems that Scottish Enterprise, the LECs it groups, as well as parts of the educational system already operate in part—but only in part—on experimentalist lines. Pragmatists, we said, are committed to exploring ambiguity by putting ideas to use. From that vantage, the best way for us no less than for you to sort out what we have been saying is to see whether you could use make us of it, or already are. Can you? Are you?