Governing through value: public service and the asset rationale

Andrea Mennicken and **Fabian Muniesa** discuss underlying changes in understandings between citizens, government and regulation

The financial and managerial transformations that are frequently associated with New Public Management include among their prime rationales and key vehicles for implementation the transition from standards of public 'expenditure' to principles of public 'investment'. This transition implies an emphasis on the 'return' of public money and on the assessment of its capacity to 'create value'. The investment rationale that these transformations entail deserves further scrutiny. Considering something in the terms of an 'asset', i.e. in its capacity to create value from the perspective of an 'investor', involves not only a transformation of the thing/service under consideration. It redefines also the role and subjectivity – in short, the very 'making up' (Hacking, 2002) – of public service users and providers. It thus changes relations between government, citizens and regulation, and it leads to a redefining of understandings of democratic accountability.

To briefly examine this hypothesis, we focus on three areas of public service which have been exposed to the above mentioned modernization policies: healthcare, higher education and the correctional services. We concentrate on France and the UK, where distinct styles of New Public Management have translated into particularly problematic processes of quantification and economization. We suggest that the 'asset rationale' operates at both a political and cultural/anthropological level. On the one hand, it is characterized by rhetorical efficacy and practical habit. On the other hand, it also carries profound political significance. It determines which actor is best positioned to reason as an investor and, therefore, to take influence on the public policy domain, including relevant policy decisions about where 'investments' are to be made.

As most of its higher education sector continues to be considered as a form of public service, France provides an intriguing example of how the asset rationale permeates public management. Musselin (2017) has analysed the central role played by new budgetary arrangements in the transformation of the management of French universities. Two important reforms played a pivotal role. The first was the creation of a large national agency in charge of the funding of scientific research (ANR, Agence Nationale de la Recherche) and a national authority for research assessment (AÉRES, Agence d'Évaluation de la Recherche et de l'Enseignement Supérieur, later replaced by the Haut Conseil de l'Évaluation de la Recherche et de l'Enseignement Supérieur, HCÉRES). Both institutions are to guarantee the establishment of a culture of competition based on the capacity to comply with various performance metrics. The second reform involved the implementation of budgetary 'autonomy' and 'responsibility' (LRU stands for Loi Relative aux Libertés et Responsabilités des Universités, a bill passed in 2007). This reform transferred the entire budgetary responsibility to universities, including wages. Previously, compensation policies were directly handled by the Ministry of Higher Education, with universities largely playing an administrative role. Nowadays, the universities' responsibility for financial management has led to the empowerment of financial departments within universities and the introduction of an 'asset management' viewpoint. Where are the 'assets' within this reconfiguration? Facilities and real estate are an obvious aspect, but so are research units, educational programmes and faculty members. Students matter, too, insofar as enrolment metrics provide data that can be used in budgetary negotiations.

In the British case the introduction of nationwide performance measurements of research and teaching, variable tuition fees, and autonomy in the (self-)governing of universities, have led to the creation of what Shore and Wright (2000) have termed 'the new cultural epoch of managerialism'. Attempts have been made to instil a pseudo-market where universities compete for expanding student numbers. Universities have been redefined in terms of 'corporate enterprises' (see here also the 1985 Jarratt Report). Departments and universities are competitively ranked against each other through Research Excellence Framework (REF) and Teaching Excellence Framework (TEF) league tables. Students have been redefined as customers, and education has become a target for investment in one's future employability (see here also the annual THE Global Employability Rankings).

Similar developments can be observed in the healthcare sector. During the 1990s, several marketization initiatives were launched in the British National Health Service (NHS) which were accompanied by the introduction of a range of performance indicators. Failed reorganization attempts in the 1980s, and a perceived NHS funding crisis, paved the way for the introduction of (internal) markets into the NHS with the 1989 White Paper 'Working for Patients'. The changes that followed included a move from employing managers to control doctors to a strategy that sought to turn some doctors into managers through the establishment of clinical director posts which were provided with freedom to direct their units as semi-autonomous, self-managed units within the NHS (Llewellyn, 2001). In 1998, a National Reference Costing system was introduced that sought to benchmark hospital costs across the sector. To enable comparisons and the calculation of cost averages, the benchmarking exercise involved the creation of categories and classification systems for clinical activities. These reforms transformed clinical managers into 'asset managers' who are responsible for the provision of good care, efficient working capital management, and for the management of the resources/assets entrusted to them, including patients. Patients are no longer merely recipients of care, but also sources for economic 'value creation' as their treatment has come to be linked to specific, variable financial returns.

Juven (2016) has documented the introduction of activity-based costing in public hospitals in France. What was previously considered in mere terms of expenditure derived from a global budgetary envelope is now thematized in terms of 'financial flows' that require a 'responsible' managerial attitude. The hospital bed has become a resource that needs to be calculated – a cost, certainly, but also an 'asset' insofar it can, if properly managed, generate a return. Managing hospital teams and medical equipment, but also diseases and treatments, have become enrolled in activities that can be described as activities of asset management. Maximising the 'value created' is not something that is only thought of in terms of monetary benefit. But it requires some sort of a monetary imagination, as the 'financial state' of the hospital is incorporated into the mundane practice of performing (or not-performing) a medical act.

The operation of prisons has been repeatedly confronted with issues of better financial management. In contrast to the past where the business angle was developed through the idea of the inmates' productive labour, today's dominant way in which this business angle develops is 'privatization'. A crucial episode in the recent history of French prisons consisted in the recourse to private enterprise for the construction of a set of new prisons in the mid-1980s (Salle 2009). The initiative ('Programme 13000' or 'Programme Chalandon') did not affect the penal functions as such (direction, surveillance, court registry). Rather, it involved a series of ancillary services, such as maintenance, amenities and accommodation, and new forms of 'mixed' management where specific functions, including inmate labour or edeuation, were 'delegated' to private companies in public-private partnerships. These companies derive their revenues from contracting with the penal administration, that is, the 'public investor'. The development of performance metrics that accompany these contracts allows for a fine-grained identification of the quality of the service delivered. The prison 'facility'is thereby adopting the traits of an asset.

Similarly, the UK prison sector has been reconstructed as market-oriented accounting entities. At the time of writing, there are 14 private prisons contractually managed in England and Wales by private companies. Privatization was aimed at introducing 'innovative' approaches into the management of prisons and prisoners. In April 2003, the Government launched a benchmarking programme which required both public and private prisons to undergo regular formalized performance or market tests. Since 2004 all prisons (public and private) are publicly rated on a 1 to 4 performance scale. Level 1 indicates a 'poor performer'. Level 4 is awarded for 'exceptionally high performance'. The standardized performance measurement was to encourage an ethos of competitiveness and contestability within the Prison Service. Such initiatives can change prison values; prison officers and governors may lose sight of traditional prison values, such as rehabilitation, prisoners' decency, safety and security, but also prisoner staff morale and job satisfaction. With the private security corporations new stakeholders have entered the picture: investors (such as banks) and shareholders (e.g. shareholders of security corporations which are globally operating and cross-listed on multiple stock markets). Punishing people has thus turned into a business, an activity for which also monetary returns are sought.

A shift to the vernaculars of economic 'value creation' can be identified in all three empirical fields. This shift involves the development of a particular culture in the conduct of public administration or, put differently, a new form of considering what the state consists of. Prisons, hospitals and universities are put to the test in a very specific understanding of their economic viability; the services they 'produce' are gauged from the point of view of an investor. The state does thus not 'pay' or 'fund' any longer. Instead, it 'invests' in an accountable manner. It is the idea of a prospective benefit, whose ' value' ought to be articulated in the terms of a return of investment, which is key (Muniesa et al., 2017).

The political consequences of such a cultural shift are manifold. One particularly salient implication consists in the emergence and empowerment of new experts, particularly managerial experts, that have come to rule the conduct of the public services, first and foremost, accountants and consultants. Such transformations shift the locus and focus of governing and democratic accountability. They redefine relations between public service users and providers. Public service users and providers are 'made up' in economic terms, as investors and investees, as choice makers and takers. Such shifts are often at the heart of controversies and disputes. Some of these controversies and disputes revolve around the very problem of assessing the 'true value' of a public service provided. The asset rationale implies a particular characterization of the complex of verification (here, of the value of public service) that Foucault (2008) once identified in neoliberal government; a characterisation according to which the 'user' of public service needs to adopt at once the position of an investor and that of an investee.

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