Edited by
Reto Steiner

The Crisis:
Challenges for Public Management

CCPM Publication - Volume 41

The Scientific Series of the Center of Competence for Public Management at the University of Bern are edited by:

Prof. Dr. Andreas Lienhard
Prof. Dr. Adrian Ritz
Prof. Dr. Fritz Sager
Prof. Dr. Reto Steiner

The author of each volume is responsible for its content.

Edited by
Reto Steiner

The Crisis:
Challenges for Public Management

Keynote Speeches of the 14th Annual Conference of the International Research Society for Public Management (IRSPM) in Bern (Switzerland)

Publishing House: CCPM
Bern

Reto Steiner is Professor of Public Management at the Center of Competence for Public Management (CCPM) at the University of Bern (Switzerland). He was head of the Organizing Committee for the 14th Annual Conference of IRSPM in Bern. Currently, he is a Visiting Research Fellow at the Lee Kuan Yew School of Public Policy at the National University of Singapore (NUS).

Die Deutsche Bibliothek – CIP-Einheitsaufnahme

The Crisis – Challenges for Public Management

Edited by Reto Steiner

Bern 2013
ISBN 978-3-906798-40-0

All rights reserved
Copyright © 2013 by KPM-Verlag Bern
No part of this book may be reprinted in any form without the permission of the publishers.

www.kpm.unibe.ch

TABLE OF CONTENTS

Preface
Reto Steiner VII

Part I: Introduction

Crises as a Challenge for Public Management
Reto Steiner 1

Part II: Keynote Speeches

21st Century Crises: A New Cosmology Urgently Needed
Patrick Lagadec 5

Coping with the Crisis: Do Swiss Institutions Foster or Hamper it?
Wolf Linder 11

The Government as a Guarantor for Public Services – Lessons from and for the Crisis
Kuno Schedler 17

Panel Discussion in the Federal Parliament Building
Fritz Sager 27

Findings of the Conference
Etienne Huber 39

Part III: Welcome Addresses

About the Role of the Host City Bern and the Center of Competence for Public Management
Andreas Lienhard 43

The Swiss Parliament in Time of Crisis
Pascale Bruderer Wyss 47

Preface

By Reto Steiner, Professor for Public Management, Center of Competence for Public Management, University of Bern, and Chair of the 14th Annual IRSPM-Conference in Bern

With 387 participating academics from 40 countries, the 14th Annual conference of the International Research Society for Public Management (IRSPM) which took place in Bern/Switzerland from 7 – 9 April 2010, was the largest in the association's history so far. In addition to the very large number of participants from countries like Australia, Great Britain, and the Netherlands, each of which was represented by more than 40 persons, there were also representatives from countries having new research traditions, for example, the United Arab Emirates, Malaysia, and Uganda.

The latest scientific research results from the area of public management were presented and discussed among colleagues in the 32 Panel Tracks and 14 Open Tracks. 516 abstracts were submitted for consideration; 318 accepted for presentation in panel tracks and 125 for presentation in open tracks. One of the key tasks of the profession was manifested, namely, making the research in Public Management transparent and presenting it for critical discussion, a process that makes scientific progress possible.

By selecting the University of Bern as the site for the 14th IRSPM Conference, IRSPM had chosen a university steeped in history. The Nobel Prize laureate Albert Einstein, who formulated the Theory of Relativity in 1905, taught and performed research at this alma mater. During his time in Bern, Einstein was a junior researcher, just like 25% of the conference participants, who were Ph.D. students.

The indisputable highlight of the conference was the reception at the Swiss Federal Palace. In her welcome address, the National Council President, Pascale Bruderer – who, by the way, is a political scientist – reflected upon the current global economic crisis and discussed how the government and the administration can react to this crisis. Following her address, two distinguished colleagues, Wolf Linder from the University of Bern and Kuno

Schedler from the University of St. Gallen, discussed which role they think government institutions play in managing crises. In a concluding podium discussion, Oxford University's Christopher Hood and the two previous speakers then formulated theses on the future role of government in managing crises. All this was followed by the opening speech by Patrick Lagadec from the Ecole Polytechnique in Paris, who gave an introduction into the ontology of crises the day before.

In spring 2009, when the conference theme, "The Crisis – Challenges for Public Management", was selected, a scholar asked if the crisis would not already be over in a year's time. It may well be that the global economy has stabilized to some extent, but the task of science is precisely *not* to return to everyday life after a recovery phase. The crisis has led to governmental interventions that would have seemed inconceivable only a few years ago. Politics has recaptured long-lost terrain. The conference wished to aid in the understanding of how the role of government, and especially that of the administration, has changed. In particular, the conference also wished to help in formulating organizational recommendations for how the government can adequately deal with risks.

This book which contains the keynote speeches of the conference may contribute to this important, but also challenging discussion.

PART I: INTRODUCTION

Crises as a Challenge for Public Management

By Reto Steiner, Professor for Public Management, Center of Competence for Public Management, University of Bern, and Chair of the 14th Annual IRSPM-Conference in Bern

The devastating tsunami in Japan in March 2011, along with the subsequent reactor accident in Fukushima and the long-term financial crisis in Europe, are the most recent examples of the vulnerability of modern societies. In such challenging situations, the media is quick to speak of a crisis that it presumes will be adequately managed by governments and administrations.

This topical introduction discusses two questions: (1) When can we speak of a crisis? and (2) What does successful crisis management look like, or is such a thing even possible?

The Concept of Crisis

While the concept of crisis, etymologically speaking, indicates a (neutral) turning point, today one speaks of a crisis primarily with an understanding of the concept that carries negative connotations. It is thus a situation in which normal activities are no longer possible. This can affect an entire society, as, for example, in the case of a tsunami, but it can also affect individual groups like managers, who, for example, are no longer able to perform public services due to a strike. This was the case when the employees of the Swiss National Railways (SBB) went on strike in Bellinzona, and the railway management and the government were fiercely attacked by the media and the public, and ultimately forced to find a solution to this crisis.

Crises can develop gradually, for example, the demographic change of an aging society in which the financing of the social support systems is no

longer ensured, or they can be completely unanticipated events. Here, one speaks of a *black swan* as a metaphor for “rare events that have extreme impact on the business” (Taleb, 2010). In particular, natural catastrophes that cannot be anticipated belong to this category.

Whether this situation is called a crisis or only an unusual event is of secondary importance. What is decisive is the perception of the event by the public and the participating players. Arguing from a constructivist viewpoint, crises may well be categorized as such using indicators; however, along with the actual facts, the behavior and expectations of the public are just as important. The determination of threshold values shows the subjectivity of the presumed objectives. Thus, for example, the air pollution in Beijing at the beginning of 2013 was higher than it had ever been since measurements began. However, while the data were characterized as extremely dangerous by various participants, the Chinese government deemed the air pollution to be only elevated.

Procedures for Crisis Management

If one attempts to manage crises, then two approaches are possible. First, one can concentrate on managing an acute crisis and attempt to manage it according to defined rules. This corresponds to the actions of an airplane pilot when the motors fail. Here, one is dealing with an instrumental procedure. When it is utilized, one sees relatively quickly if the rules are not functioning or have been inadequately practiced. It becomes critical when there are no processes in place because one has not thought about such a crisis, or about one of such magnitude.

A second approach is when the institutions, policies, and procedures are designed - apart from a concrete crisis event - in such a way that they are capable of mastering concrete crisis situations. The goal of this is not to make all crises solvable by means of organizational design, but rather only to increase the probability that crises are prevented whenever possible, or at least recognized early and then successfully managed.

Appropriate institutions can make an essential contribution to reducing the probability of or managing crises. This requires institutions having a stable character, which perform an integrating function in society by making it

possible for the individual societal groups to express their opinions and which are simultaneously open to collaboration with civil society. Institutions that function on the network concept have an advantageous starting point with respect to crisis management.

With respect to policies, those required are the ones that deal with critical developments, for example, demographic or climate change, in a timely manner. At the same time, in order to minimize risks, a balance must be found between incentive-oriented political programs, which result in a self-stabilizing and desirable balance in the political arena, and mandatory planning measures regulated by requirements and rules.

The extent to which political and administrative authority should be exerted during a concrete crisis situation is controversial, since the rights (of the state) to intervene can conflict with civil rights. There is a consensus that, at a minimum, established tools and organizational structures are needed, which are created specifically for the purpose of crisis management, for example, the fire department and emergency task forces.

When is Crisis Management Successful?

The key question remains: When can crisis management be considered successful? Basically, one can distinguish among three forms of success: managerial success, solution success, and political success (Drennan & McConnell, 2007). One speaks of managerial success when the structures and procedures assist, as planned, in solving the crisis, and when the procedures are legally authorized and supported.

A solution success exists when dangers are averted and when life and property, as well as institutions, are damaged as little as possible and order and stability are again restored.

Political success exists when the government and executive managers receive high approval from the voters, when pressure on the government is withdrawn, and when the basic policy direction is supported.

The problem with crisis management lies in the fact that frequently success cannot be measured in black-and-white terms. Thus, goals are often only partially achieved and, furthermore, a success in one area can be a

failure in another. Perhaps, for example, one is successful in reducing terrorist attacks, but this is achieved at the cost of freedom. Furthermore, short-term successes are not synonymous with long-term success.

Successful management requires the consideration of both tactical and political levels. On the tactical level, it is important to correctly diagnose the problem, to mobilize the necessary personnel, technologies, and financial resources, to communicate effectively, and to avert risks. On the political level, one must make sense of the crisis and communicate its meaning to the public, make decisions, end the crisis, and learn from the mistakes that were made. In such cases, crisis management does not mean an exact return to the original state of affairs, but rather that the government and society emerge from the crisis stronger than before. Severe flooding may devastate a region – but precisely the lessons learned from such an event enables a society to build cities that may be more resistant to flooding and to create drains that can better help in meeting future challenges. This task, which is the key to good governance, must be tackled by politicians and administrators, along with civil society.

Literature

Drennan, L., & McConnell, A. (2007). Risk and Crisis Management in the Public Sector, Routledge, New York.

Taleb, N. N. (2010). The Black Swan. The Impact of the Highly Improbable, 2nd Edition, Random House, New York.

PART II: KEYNOTE SPEECHES

21ST CENTURY CRISES: A NEW COSMOLOGY URGENTLY NEEDED[1]

By Patrick Lagadec, Director Research, Ecole Polytechnique, Paris

"Why do we continually seem to be a disaster behind?" (U.S. House of Representatives, 2006: 359). This is the key question behind "Failures of Imagination" or "Failures of Initiative". The disturbing news is that, crisis after crisis, we react as if we are programmed to do nothing more than call for "more of the same": more ready-made answers, more plans, more Command and Control. The good news is that some people are beginning to understand that issues and contexts emerging in the 21st century demand a decisive breakthrough in crisis culture and strategy. Like Magellan in his own 16th-century context (Bergreen, 2004), we also need a new cosmology. The time has come to take on the task of sketching new maps and give birth to new strategies, new tactics, and new models of education and training (Lagadec, 2007).

Herein Lies Crisis Management

Everyone agrees that Hurricane Katrina was a traumatic fiasco. But, beyond the specific event, we have to acknowledge a global warning. First, Katrina was just the kind of cataclysmic event that is becoming increasingly common: "We must expect more catastrophes like Hurricane Katrina and possibly even worse" (The White House, 2006: 65). Second, we are strategically overwhelmed by these emerging issues: "Our current system for homeland security does not provide the necessary framework to manage the challenges posed by 21st century catastrophic threats" (The White House, 2006: 52). Third, we are culturally reluctant to make the drastic

[1] An earlier version has been published in Lagadec, Patrick (2008): 21st Century Crises: A New Cosmology Urgently Needed. In: Magazine National Safety & Security and Crisis Management, Special Issue, March 2008, pp. 26-28.

changes necessary to meet the challenge: “Many government officials continue to stubbornly resist recognizing that fundamental changes in disaster management are needed” (U.S. House of Representatives, 2006: xi).

Of course, at the level of tactics and assets, much can be done – and must be done – to strengthen our operational capabilities, to re-write texts and plans, to clarify some sensitive questions, such as “push” or “pull” mechanisms (we can barely fathom the difficulties that the implementation of a European-wide “push” system would bring about), and to train people at all levels. But the real challenge is the fact that the theater of operations must be entirely reappraised.

Our emergency culture is embedded in an outdated model. During the last century, *crisis* was defined as an acute problem that could be resolved and overcome through rapid response. We simply had to be ready to bring the necessary means to bear in order to return to normalcy; the problems were specific and isolated, and the contexts, stable. Today, however, events can be much more disruptive; and, more importantly, they occur within contexts that have become fundamentally unstable, that are in continuous mutation.

Connectivity is the *Leitmotiv* of our strengths and weaknesses; speed, ignorance, hyper-complexity, and “inconceivability” are the names of the game. Any event − not only “Category 5” disruptions − can trigger unthinkable domino effects.

A Whole New Ball Game

Crisis management now goes far beyond emergency response, and we must adapt accordingly.

Intelligence

In the past, we have taken a static approach, with pre-designed categories of disasters, pre-planned answers, pre-defined organizations, and strict chains of command. Today, we must develop a new intelligence model for chaotic environments, where nothing is stable, where a minor loss of balance can lead to the collapse of our posture, and where any action triggers

multiple reactions. In the past, we have had fixed doctrines to guarantee the proper implementation of fixed answers. Now we must develop Rapid Reflection Forces (Béroux, Guilhou & Lagadec, 2008) to develop new tools for understanding and to invent uncharted pathways through all *terrae incognitae*.

Organization

Our plans have been neatly laid out in a "Russian dolls" concept – stacking up separate stratas at the local, state, national, and international levels. Now we must create more complex dynamics, moving away from sequential logic – biology supplants mechanics.

Leadership

Previously we relied upon officers who followed a set corpus of best practices. Now, "at all levels of government, we must build a leadership corps that (…) must be populated by leaders who are prepared to exhibit innovation and take the initiative during extremely trying circumstances" (The White House, 2006: 72).

Networks

In the past we required a clear definition of who was in command and a comprehensive mapping of the stakeholders who were to be coordinated. Today we must adapt to increasingly complex networking processes and realize that preparation, action, and reaction involve a kaleidoscope of players. It is not enough to speak of "partnerships." What we need is a "global New Deal" that will fundamentally redefine each player's role and, most especially, the repartitioning of tasks among public authorities and critical networks' operators.

Empowerment

Our leaders used to obsess about the risk of "populations panicking", even though historical evidence shows that populations will most often be resourceful and composed. Now, *empowerment* must be an omnipresent building block in the systems we build, which means that we must be willing to rely on trust, beyond the usual Command and Control principle.

Communications

Communication is the cornerstone of the entire process, linking people and adjusting to a very rapidly mutating environment. Technical sophistication should not obscure the fact that even basic communication can be at risk: “Katrina interoperability problems were masked to some degree by the larger, more serious breakdown of operability resulting from the destruction of facilities or power outages” (The White House, 2006: 165). However, the most pressing challenge in terms of information sharing is, again, cultural. Satellite phones and BlackBerrys are of little help if turf wars make their users reluctant to communicate. There is more to the problem than the mantra “You should not be exchanging business cards when a crisis hits” because, even if stakeholders are indeed familiar with one another, the question remains whether they are culturally willing and able to communicate instantly with others, know or unknown, in fast-changing contexts and without perfect information or clear chains of command.

Recovery

In the more stable world of the last century, emergency response was the focus; restoration of normalcy was presumed to be more or less automatic and aimed at specific damaged assets. In today’s unstable and complex world, however, the issue is no longer the “restoration” of walls, bridges and roads, following the heroics of search and rescue. It has rather become essential to build into the system – years in advance and not the following day – the conditions that will help a complex societal texture find new sustainable dynamics in a fast-moving environment.

Education and Training

In the past, people were trained to apply a known set of rules. Now we must educate them to face the unknown and be creative, even if the process is untidy. As specified in the White House report: “When training, Federal officials should not shy away from exercising worst-case scenarios that ‘break’ our homeland security system” (The White House, 2006: 73).

A static stance is lethal in a rapidly evolving world, where speed and connectivity are vital to safety and sustainability. It is crucial to think and act "out of the box". The issue of systemic crises has to be placed at the forefront of the agendas of Heads of States. Let us not wait for the next event to be our wakeup call for strategic initiatives.

Literature

Bergreen, L. (2004). Over the Edge of the World – Magellan's Terrifying Circumnavigation of the Globe, Harper Perennial, New York.

Béroux, P., Guilhou, X., &d Lagadec, P. (2008). Rapid Reflection Forces put to the reality test. Crisis Response Journal 4(2).

Lagadec, P. (2007). Over the edge of the world. Crisis Response Journal 3(4): 48-49, September 2007.

The White House (2006). The Federal Response to Hurricane Katrina – Lessons Learned. 23 February 2006: 65.

U.S. House of Representatives (2006). A Failure of Initiative, Final Report of the Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina, US Government Printing Office, 15 February 2006.

COPING WITH THE CRISIS: DO SWISS INSTITUTIONS FOSTER OR HAMPER IT?

By Wolf Linder, Professor Emeritus of Political Science, Institute of Political Science, University of Bern

A crisis occurs, according to a widely accepted definition, when the elites of a politico-economic regime cannot continue governing in terms of their own interests and ideology. In this sense, the financial crisis of the past years has certainly been *a* crisis. In order to save the international financial system, the governments of the OECD countries had to intervene by infusing billions of dollars into the system, and many say that, despite immense Keynesian deficit spending, the industry has not yet recovered from the recession. The ideology of neo-liberalism was dealt a blow. The proponents who had for years advocated the minimal state now became advocates of the state as lender of last resort. A question that should be asked is what will be learned from the crisis. Stricter financial market regulations are not in sight. Governments and citizens seem to accept the fact that the capitalist financial system involves inherent risks. It is therefore not a question of whether or not there will be a future crisis – the question is merely when.

All of this also happened in Switzerland. One of the big banks, the UBS, had to be bailed out with state money because it was “too big to fail”, and, as collateral damage, the historical concept of Swiss banking secrecy faces its doomsday. But with regard to other aspects of banking, the banks are beginning to do business more or less as usual, and so are large sectors of the economy.

Indeed, there are strong indicators that Switzerland was less hard-hit by the international financial crisis than other countries: Unemployment has been growing but is still considerably lower than in most European states; the Swiss economy, despite its vulnerability as an export country, is recovering rather quickly; and despite the depression, with an influx of more

than 100,000 people, immigration to Switzerland from other European countries reached an almost record high in 2008.

If Switzerland was less hard-hit and appears to be recovering faster than many countries, this was not due to a more intelligent political crisis management by the government. Rather, it was due to long-term and structural factors. Some of these factors are economic, for example, the professional skills of the workers and the flexibility of innovative and highly specialized small enterprises. Other factors, however, are political. Swiss power-sharing gives a voice to all minorities and thus, in the past, has guaranteed political stability. Mutual adjustments and compromises among all political parties takes time, allowing only for incremental innovation. However, it avoids the back-and-forth one finds in systems that experience big turnovers from the sitting government to the opposition and vice versa. Federalism and direct democracy not only give people a voice and a certain amount of control over the political elites; over the long term they also keep the Swiss state small. Public consumption, the national debt, and the public administration are lower or smaller than in most OECD states. And given a lower tax burden, Swiss citizens consider Swiss public services to be of high quality.

Nevertheless, these political structures also have their shadow sides. In a system in which there is no regular changeover from the sitting government to the opposition, there must be changing majorities within the government coalition. This happens for instance in social policy, when the Christian Democrats, the centrist party, vote at times with the Socialists for more welfare, and at other times with the political right to reduce welfare. On some issues, however, we have permanent majorities. For instance, all Socialist attacks on banking secrecy were vigorously defended for decades by a bourgeois majority. And only under heavy external pressure are the majority of members of both government and parliament re-thinking the issue. And it is not only the Socialists who currently say that the Swiss could have had it cheaper and better if the business model of the Swiss banks had been reformed earlier. So, in the Swiss system, permanent majorities lead to a persistent learning problem. In the case of the banks, this problem has been overcome due to external pressure. In a few years, we

will probably see that the financial crisis was, paradoxically, not a threat but rather an opportunity for the Swiss.

My impression is that the real crisis for Switzerland is not the financial crisis of the last three years. The real crisis has much deeper roots and is more fundamental. And it has to do with the country's own - unresolved - question of its relationship with the EU. In a popular vote in 1992, Switzerland refused to join the European Economic Area. The majority of the people and the cantons preferred to keep national autonomy as it was. After this defeat of the government and the parliamentary majority, Switzerland developed its relationship with the EU by means of bilateral treaties. These treaties have been very dynamic, precipitating a steady Europeanization of Switzerland even without membership, thus being considered by many a success. The bilateral way, however, may sooner or later come to an end, since Brussels would apparently like to impose its *acquis communautaire* beyond the realm of the negotiated treaties. This could mean that, one day, Switzerland will be obliged to accept the entire *acquis communautaire* without having any influence or voting privileges in Brussels. The only possible and logical step would then be for Switzerland to join the EU.

This seems to be the perception of the government. But, for several reasons, this step is not realistic.

First, Europeanization is experienced as globalization and thus has new winners and new losers. This means that, in the wake of the European issue and the strong impacts of globalization, Swiss society is left deeply divided. The rise of the only anti-European party, the Swiss People's Party, has fundamentally changed the party system: it has led to political polarization and even to a crisis in Switzerland's power-sharing system.

Second, the government authorities and many politicians think that once the *acquis communautaire* is accepted in practice, the step of entering the EU will be smaller and therefore more easily accepted by the people. This perception, however, is wrong because in the process of informal Europeanization, the EU is not gaining popularity but, on the contrary, losing it. And a rising skepticism regarding EU politics is no longer unique to the Swiss, but can rather be observed all over Europe.

Third, the official position of the government is that Switzerland would have to give up some aspects of its direct democracy if it joined the EU. This is probably the most misguided argument because the Swiss greatly value direct voting and identify themselves with direct democracy. Proposing to dismantle direct democracy therefore guarantees in practice that a popular vote on EU membership will never be won.

The only way to win over a majority of the people and the 16 of 25 cantons who voted *no* in 1992, therefore, is to promise and even guarantee that direct democracy would be possible and effective even if Switzerland were to be a member of the EU.

In light of the vote on minarets in November 2009, however, defending the case for direct democracy seems to be difficult. Does the instrument of the popular initiative not in fact lead, more and more frequently, to conflicts with international law and to the isolation of Switzerland?

If I were a politician, I would say that the people's decision on minarets was damaging to Switzerland and was wrong. But I would defend direct democracy as an institution, saying that it represents part of a legal culture that is different from the mainstream of most countries. It is a system in which a popular vote grants the highest legitimacy to law, a legitimacy even higher than that of the international elites who globally define international law. Italians may accept a European court ruling that bans school crucifixes. And the Swiss could also accept such a decision, but only as a matter of self-rule. This may also cause future conflicts between the people's law and international law, but it would be better to resolve such conflicts by negotiation, rather than the interdiction of direct democracy.

I now return to the title of my presentation: "Coping with the Crisis: Do Swiss Institutions Foster or Hamper It?'. Regarding the persistent crisis of the question of Switzerland's future in Europe, I would give a differentiated response. We have the ambiguous function of the most important element of Swiss political institutions, namely, direct democracy: It has hampered the strong will of the Swiss political elites to become a member of the EU, and the people's opposition has led to a non-decision on Switzerland's position on Europe that has deeply divided the country. It may even lead

Switzerland into isolation. On the other hand, however, direct democracy has fostered and protected the people's preference for the country's political autonomy. And it has maintained a specific political culture, a political culture in which the laws of the elites, from local to international authorities, are generally accepted, but sometimes amended by the people - who ultimately have the last word.

THE GOVERNMENT AS A GUARANTOR FOR PUBLIC SERVICES – LESSONS FROM AND FOR THE CRISIS

By Kuno Schedler, Professor of Public Management, Institute for Systemic Management and Public Governance, University of St. Gallen

Introduction

The role of governments in the current financial crisis has been the subject of many publications over the past few years, most of which have analyzed the role of private actors and the government – some including an obvious tone of blame (Muolo & Mathew, 2010; Zandi, 2008). There are few publications, however, on the role that public management played or could play in a situation of financial crisis. This paper assumes that there is a role for public management to play in dealing with or responding to the crisis. But is there? If there is, what role could this be? Many books have been published about the crisis, most having been written from the perspective of economics or regulation theory. Around the globe, different countries have experienced the financial crisis on different levels – this in turn has led to a wide variety of governmental reactions. Here in Switzerland, the crisis has primarily been a banking issue – and this financial crisis hit, above all, one big bank, namely, UBS, while the other major bank, Credit Suisse, has been fairly successful in surviving it. Smaller banks that had not taken risks in the international capital markets profited from a migration of customers who left UBS for less exciting banks. The Swiss government invested several billion Swiss Francs in the bail-out of UBS, since it was considered a so-called “system-relevant” bank. It was argued that if UBS were to fail, the Swiss economy’s financial blood circulation would be severely impaired, which could then shock the real economy. The crisis made clear that – to use systems theory language – although there may have been a fragmentation of societal sub-systems over the past decades, the latent *interdependence* of these sub-systems must not be underestimated.

A New Image of the State

When governments take action to guarantee certain services – such as the provision of financial capital for the national economy, as in the case of banking – they agree to play a specific role in the economy. Thus, in order to understand the relevance of the crisis for public management, we need to dig deeper into the underlying images of the state that form the basis for public management arrangements in different countries. The question then is not only what governments do in a crisis situation, but rather, how they legitimize their actions and how the general understanding of their role (in other words, which image of the state) forms the substructure of such governmental action?

In the course of the New Public Management (NPM) reforms, decentralization, agencification, and devolved responsibility are thought to be based on a new role for the state, namely, a state in which public tasks are defined within a political process, but in which the government has a wide range of institutional opportunities for actual service delivery arrangements. Contracting, partnerships, networks, and other forms of joint service delivery are not the exception, but rather the rule. “Steering rather than rowing” has led to a division of tasks between the government as the buyer and other organizations as service suppliers. Walter Kickert (1995) referred to the Dutch concept of “steering at a distance”:

> *The new concept departs from hierarchical, direct top-down control. Government is only one of the influencing actors in a complex network of many interrelated, more or less autonomous actors. The new concept contributes to the scientific body of knowledge on steering in complex inter-organizational networks.*

In the literature on NPM reforms, the discussion soon turns to different images of the state. I am using this term that refers to the “images of men”, a basic assumption regarding the functioning and role of the state. Different images of the state were formulated by different authors from different geographical regions and at different times in history (which also means at different levels of maturity of the New Public Management). The starting point appears to have been the image of *“The Providing State”,* a state

that produced and delivered government services itself. Parallel to the rise of the New Public Management in its early stages, the decentralization of state functions was linked to one specific form of governance – contracting. Rather than being the producers of public services, governments increasingly chose (or were forced) to outsource services. For this type of state, Australian and New Zealand authors coined the term *"The Contract State"* (Alford & O'Neil, 1994; Boston, 1995). More sophisticated and innovative forms of decentralization developed at a later stage, for example, public-private partnerships in financing and in the delivery of public services. In the UK, the Private Finance Initiative was bolstered by the image of *"The Enabling State"***,** although during the 1980s this development had been branded by Gilbert and Gilbert (1989) *welfare capitalism*. The rise of complex networks (Klijn, 2002) as a main feature of new governance structures unsurprisingly led to the creation of the term *"The Network State"* (Carnoy & Castells, 2001). Although most of these images of the state symbolized a more efficient provision of public services by means of outsourcing, they continued to be fraught with fundamental concerns. It was argued, namely, that political control could be threatened by contracting (Christensen & Laegreid, 2001). And some authors even feared a hollowing out of the state. Basing their analyses on U.S. American experiences, Milward and Provan (2000) correctly warned that, in the long run, *"The Hollow State"* would lose its capacities to act and provide services. During the crisis, it soon became clear that merely enabling private businesses, networking, or even hollowing out the state was not an effective medicine.

I am sure that this list of images of the state is not exhaustive. The analysis of the literature reveals, however, that most of these concepts are mainly descriptive. In other words, new developments in governance practices have been collected and analyzed, as well as given a new brand. Hardly any author has had the ambition to formulate an image of the state with normative content that would then require minimal coherence. At this point, it would be somewhat beneficial for the current discussion to include the German *Rechtsstaat* tradition.

Traditionally, continental European literature appears to discuss the role of the state in a more axiomatic way than the Anglo-Americans. German-

speaking authors (Hoffmann-Riem, 2001; Mastronardi & Schedler, 1998; Schuppert, 2005), in search of a new image of the state that could normatively substantiate the more mature forms of New Public Management, have coined the term "the guarantor state" *(Gewährleistungsstaat)*, hereby emphasizing the state's unchanged political responsibility for public services that is stronger, for example, than Milward and Provan's (2000) "hollow state" or Gilbert and Gilbert's (1989) "enabling state". In the guarantor state, the government may or may not find ways of providing services alternative to self-production (Schedler & Proeller, 2010).

In contrast to the traditional providing state, the guarantor state fragments and divides responsibilities among multiple parties. According to this concept, the freedom and risks of decision-making accompany responsibility. Although it decentralizes the performance (production and delivery) of public services, in the guarantor state the government retains accountability for providing services. German lawyers (Hoffmann-Riem, 2001; Schuppert, 2005) argue that the government's responsibility to guarantee *(Gewährleistungsverantwortung)* can be divided into the responsibility to perform *(Erfüllungsverantwortung)*; the responsibility to substitute in case of default *(Auffangverantwortung)*; the responsibility to organize; the responsibility to regulate; and the responsibility to monitor the delivery of public services. While most of these responsibilities have been delegated to non-governmental actors in the banking sector, the responsibility to guarantee (services) has obviously remained with the government. From this normative perspective, the concept of the guarantor state involves not only a division of labor but also primarily a delegation of responsibilities and a creation of new accountabilities. One condition necessary for the application of this state model is the political definition of public tasks. Government can only become active (even as a guarantor) if a specific task has been defined as a state responsibility in the public interest.

Is This Crisis Special? – The Case of Switzerland

In general, the image of the guarantor state has thus far not been used for highly competitive, market-oriented, and globalized industries, such as the financial industry. Rather, the starting point for this debate is usually the requirement for governments to deliver (or guarantee) public services that had previously been provided by the government itself. In other words, the subject of discussion has not been the necessity to guarantee services, but rather the form of their delivery. In the case of the banking crisis, the logic was reversed in that the banking industry was generally considered to be an unquestioned private industry in this country. State-owned banks were a remnant of the past, while banking regulations should be minimized, implemented only as necessary. After the massive government interventions that were experienced almost worldwide, it became clear that the state had changed its image by assuming the guarantor role, at least for the so-called “system-relevant banks”. As we know today, the Swiss case was expensive, but successful. What now needs to follow is a debate about the possible consequences governments will face when they accept their new role.

Lessons to Be Learned

In my view, in the context of system-relevant banks, there are several lessons that need to be learned regarding the guarantor role of the state:

First, as a guarantor for system-relevant banks, the state found itself in a situation for which it was not prepared, namely, of having to bear risks of the financial industry. In Switzerland, the Federal Finance Administration (the Treasury) benefitted from a shocking episode that had occurred in 2001: the grounding of Swissair. At that time, it was an urgent lack of liquid money that forced the management of Swissair to stop flying. No one in Switzerland had ever expected that such a crisis could happen to the pride of their country and one of the leaders in the aviation industry. However, after a series of bad strategic decisions and a fair amount of bad luck, the grounding of Swissair became a viable reality. If the Swiss government had not come up with approximately 1.5 billion Swiss Francs, the quick establishment of Swissair’s successor, Swiss International Airlines, would

not have been possible, resulting in the potential loss of jobs for thousands of workers in supplier industries.

Consequently, if we accept the premise that the state has the responsibility to guarantee certain system-relevant industries, then the government also has the legitimate right to assess and limit its risks. The assessment of state ownership, even if it is only partial, needs to include the issue of government risk. This, however, is not the only consequence. All aspects of our economic, social, and ecological life need to be evaluated in relation to these so-called “system-relevant” organizations that pose a specific risk to society if they fail. The term “correlation risk” needs to be reinterpreted by task forces comprising public administration specialists, professional experts, and politicians. How these risks can be avoided, or at least limited, is open to debate – in fact, in Switzerland national politicians are debating whether the large system-relevant banks should be restructured in a way that causes them to lose their system-relevance - and therefore be able to go bankrupt without seriously impacting the Swiss economy.

Second, as the financial crisis has shown, bailouts are virtually un-democratic by nature. Because the financial markets would react counter-productively if bailout measures were considered transparently, the government must prepare such measures behind closed doors. Therefore, in order to be prepared for legitimate action, national governments should develop possible crisis scenarios for system-relevant banks. These hypothetical situations should be discussed and linked to possible measures in the sense of decisions under reserve. In the case of Switzerland, in 2005 a task force led by Treasury developed possible scenarios for the failure of a large Swiss bank – at a time when this seemed to be completely unrealistic. Decision options were therefore already available when they became necessary. This form of prospective decision-making under reserve was developed within military staffs, but it should also be an available tool for public managers, as well as their political supervisors.

Third, public management needs to develop new capacities for detecting and handling such politico-economic crises. Pros and cons of different types of public governance arrangements in the guarantor role, such as, contracting, subsidies, regulation, networks, state ownership, or even self-

provision as a substitute performance, should be a regular part of public manager training. In Germany and Switzerland, for instance, a new Anglicism has gained significant attention among scholars and practitioners, namely, “public corporate governance” – which means a merging of the concepts of public governance and corporate governance for the management of state-owned enterprises. Public managers must not only be “smart buyers” in the sense of the contract state. But, even more, they also need to be able to structure their guarantor responsibilities, i.e., responsibilities for performance or substitution, in many areas of life – and still remain humble in their aspirations for government control. After all, we should not forget that, in certain policy areas, the most efficient and effective solution might be to delegate most of the aforementioned responsibilities to the private sector.

Fourth, one of the factors for future success is the ability to learn from previous crises. We all know that political actors tend to have short-term memories. It is therefore up to the public administration to register crises, use them as case studies in professional training, and draw conclusions for administrative action. A look at some of the panel tracks of the IRSPM Conference 2010 makes clear that the agenda is there: civil service motivation, evaluation methods, policy learning, financial management, professionalism, and many more topics are highly relevant to the learning abilities of public managers.

Finally, let me voice some words of praise for our own discipline. Public management has proven to be a highly relevant field during crisis situations – and we should all make ourselves heard in the public arena. This conference makes clear that public management has a lot to contribute to the mastery of crises. The current crisis, however, demonstrates that, with the exception of public management scholars, nearly every discipline distinguishes itself in the media. A closer look at the committees that were formed to deal with the crisis reveals that they are made up of economists, politicians, and bankers (who, by the way, had caused the trouble), but they hardly ever include a public management specialist. A bit more self-confidence would not harm our field.

Let me conclude with a remark that is not really groundbreaking: Even if it seems that the current crisis could end, the next one is already on its way. The unpleasant truth, however, is that we do not have advance knowledge of it. Public managers need to be prepared, the public administration needs to be trained in crisis management, and standard operational procedures for handling the crises need to be defined. Above all, the public administration needs to strengthen its capacity for responding to unforeseen events, so that a real crisis is unable to develop.

Literature

Alford, J., & O'Neil, D. (Eds.). (1994). *The Contract State: Public Management and the Kennett Government*. Victoria: Center for Applied Social Research, Deakin University.

Boston, J. (Ed.). (1995). *The State under Contract*. Wellington: Bridget Williams Books Ltd.

Carnoy, M., & Castells, M. (2001). Globalization, the knowledge society, and the Network State: Poulantzas at the millennium. *Global Networks, 1*(1), 1-18.

Christensen, T., & Laegreid, P. (2001). New Public Management -The effects of contracturalism and devolution on political control. *Public Management Review, 3*(1), 73-94.

Gilbert, N., & Gilbert, B. (1989). *The Enabling State. Modern welfare capitalism in America*. New York: Oxford University Press.

Hoffmann-Riem, W. (2001). *Modernisierung von Recht und Justiz eine Herausforderung des Gewährleistungsstaates* (Vol. 2188). Frankfurt am Main: Suhrkamp.

Kickert, W. (1995). Steering at a Distance: A New Paradigm of Public Governance in Dutch Higher Education. *Governance, 8*(1), 135 - 157.

Klijn, E.-H. (2002). Governing Networks in the Hollow State. Contracting out, process management or a combination ot the two? *Public Management Review, 4*(2), 149-165.

Mastronardi, P., & Schedler, K. (1998). *New Public Management in Staat und Recht. Ein Diskurs.* Bern/Stuttgart/Wien: Haupt.

Milward, H. B., & Provan, K. G. (2000). Governing the Hollow State. *Journal of Public Administration Research and Theory, 10*(2), 359-379.

Muolo, P., & Mathew, P. (2010). *Chain of Blame: How Wall Street Caused the Mortgage and Credit Crisis* Hoboken: John Whiley & Sons.

Schedler, K., & Proeller, I. (2010). *Outcome-oriented public management. A responsibility-based approach to the New Public Management*. Charlotte NC: IAP.

Schuppert, G. F. (2005). Der Gewährleistungsstaat - modisches Label oder Leitbild sich wandelnder Staatlichkeit. In G. F. Schuppert (Ed.), *Der Gewährleistungsstaat - Ein Leitbild auf dem Prüfstand* (pp. 11-52). Baden-Baden: Nomos.

Zandi, M. (2008). *Financial Shock: A 360º Look at the Subprime Mortgage Implosion, and How to Avoid the Next Financial Crisis* Upper Saddle River: Pierson.

PANEL DISCUSSION IN THE FEDERAL PARLIAMENT BUILDING

Moderated by Fritz Sager, Professor of Political Science, Center of Competence for Public Management, University of Bern

Panel members: Christopher Hood (University of Oxford), Wolf Linder (University of Bern), and Kuno Schedler (University of St. Gallen)

Fritz Sager: Ladies and gentlemen, I am truly pleased to welcome the keynote speakers, Wolf Linder and Kuno Schedler, as well as Professor Christopher Hood, Gladstone Professor of Government in the Department of Politics and International Relations at the University of Oxford and Director of the ESRC research program entitled “Public Services: Quality, Performance, Delivery”. And apart from that, he is one of the most well-known and acclaimed scholars in the area of public management and administration. Having listened to the statements made so far, there seems to be some disagreement regarding the question of whether the current crisis is actually a new type of crisis or whether it is just a normal crisis. Yesterday, using a great deal of video footage, Professor Lagadec argued that we are facing a crisis that is not comparable to former crises because there is no such thing as normal crises. We are trapped in outdated solutions, and we must abandon these solutions. We must therefore prepare for the unexpected. Today, the President of the National Council, Pascale Bruderer, stated that there is a need for an international monitoring system to detect new crises. This implies that we can learn from past crises and that past crises are comparable to the current crisis. So is this true? Is this a new crisis different from anything that has ever occurred before? With corresponding demands for completely new action – for which neither politicians nor public service can be prepared? Or is this just – let us say – an ordinary crisis? A crisis for which we could have been prepared if we had learned from the past? Christopher Hood, may I ask you this question?

Christopher Hood: Well, there is a great deal of literature on crises and disasters. It represents a distinct subfield, and social science includes professors and journals and all the rest of it. For a long time now, it has been

developing propositions on how to create a crisis. I associate this with Barry Turner and Charles Perrow. They say, if you want to create a crisis, you need a number of things. First of all, you need quite a complex organization or a number of organizations among which there are some communication difficulties. Second, you need some or all of those organizations to be partly degenerate in some way. And, third, you need time for the whole thing to ferment and fester and come together. That is what you need to create a crisis. So said Turner, so said Perrow. And you could say that what we have seen with the banking regulation has all of those elements. In that sense, it can be seen as pretty well fitting with the expectations of crisis experts. But there are also elements of normality. It raises a whole lot of challenges to various propositions in regulatory theory and in governance theory. For example, the reigning orthodoxy in regulatory theory over the last decade and more has been the notion of risk-based regulation, an idea that was formulated by people like John Braceweight and others in the early 1990s. And I think that idea has been very seriously challenged by what I have seen over the past couple of years. And that I think is not exactly the field of public management as ordinarily understood but it is clearly a state activity and it is kind of a neighbor discipline or area that probably has more rethinking to do than public management does as such.

Fritz Sager: Wolf Linder, structural optimist that you are, you say that we basically need a stable system so that we will be prepared for anything that may happen. Does it make a difference whether the crisis is a new type of crisis, or can we deal with any sort of crisis?

Wolf Linder: You have asked us to distinguish between a normal crisis and an extraordinary crisis. That is a difficult thing to do. I already have difficulty distinguishing between a crisis and unexpected events – If you had asked me two years ago, I would have said “Yes, this is a crisis” based on my definition of the term “crisis”. For we have a crisis when the elite of a political or economic regime cannot continue pursuing its conventional interests and going about its normal routine, and also if it is ideologically fragmented. This was the case two years ago. But I do not see that this crisis

has had any long-lasting impact. The next financial crisis will occur because we are not drawing the right conclusions and learning our lesson, so that we regulate the international financial system. So far, I think it has been seen as an extraordinary event that we have not deemed a “real” crisis.

Fritz Sager: Kuno Schedler, you were saying in your speech that we can learn from past crises. You have proposed creating a task force consisting of public administration specialists, professional experts, politicians, etc. The problem was partially defined in Professor Lagadec’s proposal for a Rapid Reflection Force, which implies that one can deal with the problem. Even though politicians plan to participate in such task forces, it sounds like a rather technocratic solution. Do you agree?

Kuno Schedler: I would like to return to what Wolf Linder mentioned previously : What is the difference between a crisis and an unforeseen event? An unforeseen event may turn into a crisis if solutions cannot be developed within a rather short period of time, whereas if one already has solutions available, the unforeseen event will not turn into a crisis. I think that is the difference. There are no solutions ready to be used to solve a crisis. And that has an impact on society. What I proposed was to correct one mistake that we made in the past. We fatally underestimated the system relevance of certain fields or areas of policies. And one of these fields is banking. We just thought that banks would solve their own problems – at least here in Switzerland. And I think that was a big mistake. What we should learn from this is the need to carefully study all areas of our lives and consider what organizations could have system relevance, so that we can perform a risk assessment and discuss what preparations need to be made in order to be able to react to a possible unforeseen event and prevent crises from occurring. So who should be on such a board dealing with crises? Such boards should include public managers, among others, so that public managers also have a say. We public managers need to be active, and we should not attempt to refrain from acting or try to avoid contacts with politicians, because they are not more knowledgeable. I think that these boards should have a good mix of participants, that discussions should be held, and that a variety of expertise should be included – which

leads us to the network approach.

Wolf Linder: Kuno Schedler, you made an interesting remark about managing the crisis. You talked about the scenarios of the actors and the crisis. Now I have a question regarding this issue: Constitutionalists deal with the question of urgency. For instance, the government (executive branch) assumes all of parliament's competencies, which can be dangerous because, when this happens, all democratic processes are lost. Among these constitutionalists, there is a big debate about whether one should regulate or not regulate, since, on the one hand, regulation provides certain guidelines. On the other hand, if these guidelines exist, then the government is also inclined to use them. So some say that it would be best not to regulate. As to the different scenarios, my question is the following: Are you not creating a quasi morally hazardous problem because the actors (who certainly know the different scenarios) would want to prepare to act against these scenarios or use the opportunity to circumvent them?

Kuno Schedler: Of course, one has a lot of leeway to play games with these solutions. And there is no guarantee that the actors will not use the scenarios for their own benefit. But what I have experienced in Switzerland – it may be different in other countries – is that politicians are too frequently surprised by unforeseen events. They do not think in terms of five or ten years in advance or ask the question "Was wäre wenn?" (in German) or "What if?". And I think that if politicians do not think in these terms, which I understand because they have only their four years as legislators, then it is within the purview and is the obligation of public managers to prepare scenarios and possible but not-yet-made decisions, which are held in reserve. I think this is necessary.

Fritz Sager: Christopher Hood, can you put this in an international comparative perspective?

Christopher Hood: I make a slightly different point again from the perspective of what we know from the literature about crisis and disaster. There is a substantial body of academic research on crisis and disaster which I think is good news. We are not starting from zero. There is a lot of work in this area. The bad news is that there is not a common view about how to

design institutions in relation to this problem. There are those who believe in the possibility of designing what I call high-reliability organizations. And I think some of the efforts in designing better forms of financial regulation of the finance system reflect such an aspiration. The kind of qualities that have been identified by researchers with high-reliability organizations include factors such as top-level leadership committed to save the no-blame-culture. That raises interesting questions about how it is possible to design a no-blame-culture. How would you get there from here? But contrasting with that idea that it is possible to design a high reliability organization are those who do not believe that that is possible. As Charles Perrow says, certain kinds of crisis and accidents are always going to occur. And therefore what you need to do is stop doing certain things if it is not possible to design organizations to deal with. That would lead you into solutions such as mini-banks or separating out consumer banks from investment banks, which is technically very difficult. But there is still another view that I associate with the late Aaron Wildavsky and his great book ‘Searching for safety’ in the late 1980s: If he were still alive and here, I am sure he would want to make the point that the optimal number of crisis and disasters in society is not zero, his argument being that crises can be socially positive. They can promote social resilience, and therefore it would be inappropriate for policies to be designed to remove all crises.

Fritz Sager: That means that we need crises, but we should be able to define their magnitude. Thus, it should not be a crisis that affects the very basis our political system. Rather, it should merely be a crisis that wakes us up. Did I understand you correctly here?

Christopher Hood: I asked the late Aaron Wildavsky that question set on size but I never got an answer from him. But I mean there is one other idea that I think is also raised by this crisis and particularly by the Swiss response. It is a very old idea I associate with Charles Lindblom. Way back in the mid-1960s it was argued in a book on the “Intelligence of Democracy” that pluralist democratic systems with multiple veto points, mutual adjustment, and endless bargaining could actually outpoint technocratic planning systems, then very much in vogue in the mid-1960s in European setting. Because Lindblom argued such a system for all its force meant

that every possible social value had a higher chance of being incorporated into the decision process. And I think that the propositions we heard in the speeches from Professor Linder and Professor Schedler do raise that idea by Charles Lindblom again. Lindblom himself was not very sure of his own ground. He lacked the self-confidence that we have been urged to follow. He actually renounced this view and then partially readopted it again. But I think the current or recent crisis is a very good test of that proposition. When the history of responses to it comes to be written I think it would be worth looking at “Intelligence of Democracy” again.

Fritz Sager: Thank you I think this is something Wolf Linder should respond to.

Wolf Linder: I am still skeptical about crisis management. First of all, I would distinguish between the management of natural crises, etc., over which humans have no influence, and crises that are provoked by large and powerful social or economic actors. Here, I would concentrate on regulations that reduce risks, for instance, risks from enterprises that are too big to fail, etc. But with respect to the crisis itself, I am deeply skeptical, since we need to maintain a maximum degree of uncertainty regarding those actors who provoke crises. Even though they do not know what type (of help) it will be, they do know that they have a state guarantee backing them up. And the second factor is democracy. Here I return to Aaron Wildavsky, who advocates the pluralistic voice of democracy, which is essential. Democracy means certainty, and certainty is somehow like the risk of the market. It is indispensable if you do not wish to be the slave of certain very powerful actors. And therefore I am deeply skeptical about preparing crisis management plans if the crisis is one provoked by powerful economic players.

Fritz Sager: Kuno, I am not sure you really want to prevent the preparation of crisis management plans. But can one still answer this challenge?

Kuno Schedler: What is my theory to this discourse? Being both a manager and a public management scholar, I strongly believe that public administration has the responsibility to guarantee certain levels of services and support to society. I strongly believe this is one of the duties that we

have as public administrators. I am not saying that we should provide guarantees to actors who make mistakes. What I am saying, however, is that it is the duty of the state to guarantee, for example, that the economy is provided with money. In Switzerland we used to have a one-to-one relationship between the paper money and the gold that was in the national bank. And then one day we loosened this ratio, and the direct link to gold was abolished. That was a huge privatization of money. Before that, money was guaranteed by the government – now it is not. And I think that we should think more along these lines. I am not a Social Democrat; I am a Christian Democrat. So I can go one step to the left and one to the right. But what I wish to say is this: Whether you are a conservative or a liberal economic thinker, you must agree that it is the government's duty to provide certain services or guarantee the provision of these services. And I strongly believe that this is the right way to go.

Wolf Linder: I am not a liberal – I am a socialist. Even so, I would not eliminate risks from the market by having the state providing guarantees in this area. And I insist on liberal democracy in the sense of the uncertainty of decision-making.

Fritz Sager: Are the two of you not pretending that the crisis situation can be resolved on a domestic level? I am not sure about that. Pascale Bruderer Wyss said in her speech that the basic task of politics in a crisis situation is to reaffirm democratic legitimacy, which is necessary because the solutions take place on the international level and not on the domestic level. So do local, domestic, and national players − be they public servants or politicians − play such an important role in resolving a crisis situation?

Christopher Hood: I do think there are very real questions that we have to ask about the conduct and competence of the government regulators in the past number of years in relation to this financial crisis. I cannot comment on the Swiss situation because I do not know the details of the arrangements here, but I can certainly comment on the situation in the United States and in the UK where I come from. We had the situation when the regulators were plainly asleep at wheel – they were probably intended to be asleep. In the aftermath of the arrangements they have put all their efforts into defending their own turf, into seeing off threats, such as the

attempt to introduce a consumer financial safety agency into the US regulatory system. None of this, I think, reflects much credit on those particular public managers.

Kuno Schedler: It is good to have two Swiss with two different opinions, and then one neutral position in the middle. And I think that I have said many times that I strongly believe that being prepared is one of the best solutions – to think the unthinkable and try to think about how to react if the unthinkable were to happen. Like a UBS banker himself has said, nobody ever really thought this could happen. And all of a sudden, it was not yet reality, but it was a dangerous threat. Just to be prepared years in advance was a vague success factor. I am not familiar with the details in the U.K. and the U.S. – but from what you have just told us, the homework was obviously not done, was not communicated. Or those persons who did the homework were not heeded.

Christopher Hood: I think there is one thing we scholars of public management might take away from this: the need to develop better theories of information rejection. What are the circumstances in which organizations reject information? We need to get a better handle on that.

Kuno Schedler: If I may add: The chief economist of UBS warned its management several times that too many risks existed within the American real estate market. And the management of UBS did not listen because there was so much money that could be earned, because there was competition, etc. So the theory applies not only to political administrative systems – the theory would also apply to system-relevant companies.

Wolf Linder: Speaking of systems: A great deal of theoretical knowledge exists about the stability of systems and crisis resistance, etc. If we look at the international systems, we certainly see that along with globalization come not only more interdependence, but also more risk to the systems because the systems are, to some degree, too large. And this must also apply to other crises and to other entities, such as, the European Union or single states. I therefore find it interesting that, although we do have globalization, in national states there is also a strong counter-movement of regionalization, decentralization, and autonomy for local services, etc. And

this primarily has to do with the fact that people do not like centralized services – rather, decentralized services actually correspond better to people's needs and to their preferences and they can also be more effective. I also find it interesting that these developments accompany globalization. Speaking of system stability, this decentralization certainly leads to better stability. And one should also think not only in terms of globalization, but also in terms of these counter-movements.

Fritz Sager: Do you agree that we find ourselves in a period of rescaling, of going back to local politics and raising the legitimacy of public action by focusing on domestic solutions? Is there a counter-globalization as a consequence of the crisis?

Christopher Hood: I am not sure I can answer that. I think that the decentralization that we have seen and Kuno referred to in his speech earlier has not really been about things like foreign affairs or financial regulation. It has been about delivery of all kinds of services. I am not sure I accept that this is part of the background to this particular area. I think the questions really are related more to the kinds of services or state functions that can only be exercised centrally like foreign affairs. What are the structures needed and how can it be done effectively? Sydney University and my colleague Michael Jackson pointed out that decentralizing tendencies in public management might in some circumstances excavate the risks of the source of crisis and disasters that result from multiple organizations not communicating with one another and the misunderstandings that arise between them. That kind of movement is behind what we have seen in this particular area of financial management over the last few years.

Kuno Schedler: What we see, of course, is the globalization of risks and local consequences. The nationalization of banks is a local consequence and locality seems to play a larger role in Germany, for example, than it does in Switzerland. The national governments have to identify these banks and save them. I think local consequences are a real element of the big picture. And to reiterate: I mean that there is a big difference between a state-owned bank that has been state-owned for a hundred years and for which ownership is anticipated, and a bank of unanticipated ownership, in which we have ownership but which is acting worldwide. How do we run

this bank? This has been quite a surprise to these governments, but it should not be surprising because this development could already have been previously deliberated. What happens if we are forced to buy a bank? What happens if we are forced to nationalize this or that service? And we could think about this in advance. I am certain that this would not eliminate the risk – i.e., the risk of the banks – but it would prepare policy-makers to be ready to face the situation that ensues.

Fritz Sager: Let me ask you a last question for the final round. Turning away from the past and looking to the future, Kuno Schedler, are you optimistic about the next crisis?

Kuno Schedler: I am still a shareholder of UBS, and I am very optimistic about the future. I know that there will be another crisis because we are still not prepared. And I would agree with Aaron Wildavsky that sometimes a society needs crises. But, if it is possible to have an acceptable level of crisis, then that, of course, would be the best thing. I am optimistic.

Fritz Sager: Wolf, are you optimistic with regard to the next crisis?

Wolf Linder: I hope that the next financial crisis does not happen for as long as possible. We would then have regulations in place for certain risks, for example, for banks that are too big to fail. There are proposals for regulations in Switzerland, as well as other countries. However, I do not see much political will to create effective regulations and to draw the right conclusions. I come back to the longstanding crisis of Switzerland within the European question, to which I referred earlier. And here I see another form of risk, which is, namely, that at the moment our institutions cannot respond to the question. On the other hand, however, I see that there is instant coffee, but frequently no instant democracy and no instant political solutions. Political solutions can take a long time, and I would not sacrifice all of the institutions in a crisis situation because institutions are generally more long-lasting than crises.

Fritz Sager: Christopher Hood, may I ask you the same question?

Christopher Hood: I think Georg Hegel, who no one can accuse of being an Anglo-Saxon, once said that the only lesson of history is that no one

learns from history. And he did have a point. So I think in the short-term there will be a lot of learning. As I have said before, I find it not very encouraging that the regulators who were asleep at the wheel the last time have fought so hard to prevent any changes in their structures and in particular the interjections of new kinds of agents that would put more emphasis on consumer safety. Things of public organizations definitely are an issue for public management – the vigorously defending their turf in ways that may not turn out to be functional for future responses. So I am moderately optimistic. But think I am rather with Hegel on this one –contrary to the stereotype of the Anglo-Saxon.

Fritz Sager: Thank you very much for being so optimistic and for participating in this podium.

FINDINGS OF THE CONFERENCE

By Etienne Huber, Researcher, Center of Competence for Public Management, University of Bern

I would like to summarize the academic contributions from the 14th IRSPM conference by pointing out three areas of tension, namely, the fact that the term “normal crisis” is self-contradictory, the problem that the chaotic elements of a crisis cannot be managed using standardized or learned procedures, and the question of whether or not institutions and structures are a cause of or a solution for crises. The thus established framework will then allow us, in a concluding remark, to find out precisely how public management can play a role in effectively preventing and managing crises.

The Oxymoron of a Normal Crisis

The word *crisis* is derived from ancient Greek (κρίσις) and can be paraphrased as a separating power or a breach in a continuous development. This origin itself indicates that the expression refers to anything but a normal situation. The recent financial breakdowns, however, have led to an almost inflationary use of the word *crisis* in the media, giving the impression that a crisis is just another normal event. In this respect, Wolf Linder’s definition of crisis – which states that “. . .we have a crisis when the elite of a political or economic regime cannot continue pursuing its conventional interests and going about its normal routine” – certainly helps to distinguish an actual crisis from just any other unexpected event. The difficulty one has in using the term correctly may also be part of the reason why Christopher Hood never received a response from Aaron Wildavsky regarding the question posed on the magnitude of a crisis. It can be argued that the social benefits resulting from the adjustments or reactions after an unforeseen event are lower than those that come about after a crisis. However, if the total costs (including the social costs) that such events might cause are also taken into consideration, then this argumentation becomes problematic. This does not mean that, generally speaking, a crisis cannot have

some socially positive effects, but one must keep in mind that a crisis might also cause a depression, in both economical and psychological terms.

Standard Operating Procedures for Chaotic Events?

At the very beginning of his speech, Patrick Lagadec made it clear that, in his view, one of the main problems with crisis management is the fact that its culture is based on an outdated model, namely, rapid response based on standard operating procedures. A crisis, however, is a chaotic event that cannot be planned for or covered by operating procedures.

This fact should not, at the same time, be used as an argument for hollowing out the state, assuming that governments are unable to produce adequate tools as a matter of course. Kuno Schedler mentions the concept of the *guarantor state*, a model of the state in which the state is explicitly not required to provide every service and cover every possible risk, but must guarantee a decent level of public services and, most importantly, bear the political responsibility for its actions. Furthermore – and this has been clearly demonstrated by the recent financial crisis – frequently the state must assume the role of what can be described as the lender of last resort. The definition of crisis in and of itself, however, implies that such a task is almost impossible to anticipate. The only thing that one can do is create scenarios, train people to deal with possible emergencies, and prepare decision-making procedures based on these experiences – in short, design standard operating procedures (SOPs). And herein lies the dilemma: No matter how much we learn from past events and scenario exercises, we can do little more than refine and restructure our SOPs, knowing full well that the next crisis, due to its chaotic or complex character, cannot be fully managed by the procedures.

One key element in this regard seems to be the handling of information. Christopher Hood and Kuno Schedler mention information overflow and information rejection, but one must also consider missing or incorrect information as possible threats to effective crisis management. There is a German proverb that describes this issue quite accurately: “If only Siemens knew what Siemens knows!”

Structures and Institutions as Causes of or Solutions to Crises?

The previous contributions and discussions of this issue evoked two arguments, giving the impression that, on the one hand, today's structures and institutions are a cause, or at least part of the cause, of crises. One argument is the point made by Patrick Lagadec, who stated that our plans are laid out in complicated "Russian doll" concepts that respect the different state levels but not the real dynamics of a crisis. The other argument was mentioned by Christopher Hood, who – citing Turner and Perrow – stated that the creation of a crisis requires complex organizations experiencing difficulties in communicating with one another, organizations that have degenerated and cannot perform their official tasks, and sufficient time for a situation to evolve into a crisis. On the other hand, the contributions of Pascale Bruderer and Wolf Linder, in particular, explain why institutions can be part of the solution for effective crisis prevention, namely, the federalist power-sharing structure with its two-chamber parliamentary system. Here, the legislative process, albeit rather slow, not only makes it possible to find balanced solutions, but it also ensures political stability, since all minorities are represented. Furthermore, according to Linder, the long-term effect in Switzerland is a low public-spending ratio and an even lower burden of taxation. It was also Christopher Hood who confirmed that the manner in which the Swiss responded to the crisis would fully conform to Charles Lindblom's theory on the intelligence of democracies. It seems that, in the long run, pluralistic democratic systems, with mutual adjustments and endless bargaining situations, can outpoint technocratic planning systems.

In summary, these arguments reveal a third dilemma, namely, structures and institutions that produce stable political systems and good policy outcomes over the long term and that therefore reduce the chance of upheavals can, if a crisis nevertheless occurs (e.g., caused by outsiders), hamper effective responses to it.

How Public Management Can Make a Difference

These three areas of tension clearly show one thing, namely, that the job of public managers vis-à-vis crises can be contentious or even contradictory. They should think the unthinkable, in order to be prepared for future crises. They bear the responsibility for being the lender of last resort but should not have too many regulatory competencies in the absence of a crisis. And, finally, they should find solutions for problems having global impact but must not bypass political and structural barriers. Although such contradictions may also play a role in other areas of public administration and could well be part of a continuous political process, for successful crisis management, it is essential that responsible public managers be able to make decisions. This means that, in the event of a crisis, public managers need to have enough leeway to maneuver; they need access to good information, and they should have the competencies to violate SOPs when such procedures are no longer effective in coping with the dynamics of events. After a crisis, however, these decision-making powers can be transferred back to the political level, since, at that time, it is the task of politicians to prevent a state of depression.

WELCOME ADDRESSES

ON THE ROLE OF THE HOST CITY BERN AND THE CENTER OF COMPETENCE FOR PUBLIC MANAGEMENT

By Andreas Lienhard, Professor of Constitutional and Administrative Law, Center of Competence for Public Management, University of Bern

It is a great honor and pleasure for me to extend a very warm welcome to this conference on behalf of the Center of Competence for Public Management of the University of Bern. You selected Bern as the venue for your conference – and for good reason! Not only is Bern a Unesco World Heritage Site, but it is also the center of Europe – geographically at any rate. When we speak of “Bern”, we may mean any one of four “Berns”: Bern as the capital of Switzerland, Bern as the capital of the Canton of Bern – one of the twenty-six cantons that make up our federal state –, Bern the city and political commune, and Bern the Citizens’ Commune. Bern thus unites several federalist levels and is therefore a living example of multilevel governance. At the same time, Bern the bilingual canton – where both German and French are spoken– also represents several cultures and their many special features.

And Bern is the political center of Switzerland. Convening in its parliament building – which you can recognize by its green dome – are the National Council and the Council of States, the two chambers of the Federal Parliament (also known as the Federal Assembly). Bern is also the seat of the Federal Council, which is the national government. The political authorities of the Canton, the City and the Citizens’ Commune can be found in the historic buildings of Bern’s Old Town, with its famous arcades (the *Lauben*) that invite you to go for a stroll. In and around Bern – that is to say, in the capital city region – you will find the headquarters of some of Switzerland’s most important administrative bodies: the central Federal Administration,

Swiss Post, Swisscom, the Swiss Federal Railways, the State Secretariat for Education, the Swiss Agency for Development and Cooperation, the State Secretariat for Economic Affairs, and the Swiss National Bank – to name but a few. With some 60 foreign embassies and various international organizations, such as the Universal Postal Union, however, Bern also boasts an international dimension. Kurt Nuspliger, Chancellor of the Canton of Bern and a professor at our university, has said with an uncharacteristic lack of Bernese modesty, “Bern is the political heart of Switzerland”. In the City of Bern alone, around 45,000 people work in the public sector – both providing services to the public and continually organizing the state, so that we all benefit as a community, while simultaneously retaining our own personal responsibilities.

Bern therefore has a special responsibility – the responsibility to think as a modern state and constantly question how the state can best fulfill its assigned tasks, in the conflict area between constitutional democracy on the one hand, and efficiency and effectiveness on the other. In times of crisis, the state faces special challenges: Who has failed? – The state or the market? – Or both? And how can the state lead the way out of the crisis and make itself healthy and strong enough to avoid future crises, or at least to reduce their impact? Can it be accomplished through stricter state regulation or is self-regulation sufficient? Have the tasks been properly allocated in the first place, whether between the state and the private sector or among the various levels of the state? And how should the state organize and manage itself and its administrative authorities? Are the models for government, some of which date back to the nineteenth century, still adequate, or is there a need for a new all-encompassing organizational and management model for the public sector? What role, for example, can partnerships play in terms of shared responsibility oriented towards multi-dimensional benefits?

Politicians and civil servants rely on being given answers to these crucial questions of public governance – and in good time. It is not enough for academics to try to show the world after the fact how the latest financial and economic crisis could have been avoided. Universities in particular have the responsibility to perform: through basic research into the latest

developments, they should keep at least one, if not two, steps ahead. As part of their public policy consulting activities, universities must be able to make practical use of this basic knowledge. The most important task, however, is to convey that knowledge to students, so that it spreads exponentially and brings results in governance and management. Gilbert Probst, Managing Director of the World Economic Forum and Professor of Organization and Management at the University of Geneva, once put it succinctly: “Knowledge is the only resource that increases if it is shared.” This sharing of knowledge also benefits future generations and sustainably guarantees the constant development of administrative science.

The University of Bern, which celebrated its 175th anniversary last year, has been quick to recognize the special importance of administrative science for Bern and has made public governance a focal point of its strategy. Using the faculties, departments and institutes already active in this field as a base, the University of Bern has created an interdisciplinary and cross-faculty unit – the Center of Competence for Public Management (CCPM). Today the CCPM employs some thirty-five academics from various disciplines: political science, public management, constitutional and administrative law, as well as economics. A core program of the CCPM is the Executive Master of Public Administration (MPA) – a post-graduate master’s program for senior administrative staff from the federal, cantonal and communal administrations. Within the Swiss Public Administration Network (SPAN), the CCPM, together with the Swiss Graduate School of Public Administration, the University of Lausanne, and the University of Lugano, has also devised a specialized Master in Public Management and Policy (Master PMP). This program is particularly intended to encourage the mobility of students in the various language regions – also a key competence for public sector staff. And together with the Institute for Public Services and Tourism at the University of St. Gallen, the CCPM now offers a Certificate of Advanced Studies (CAS) for top managers. Furthermore, the CCPM is not only a member of the Swiss Society of Administrative Sciences (SSAS) but is also responsible for its knowledge base – which, in some respects, is Switzerland’s hard drive for the administrative sciences. The CCPM also has excellent international connections, above all

through the International Research Society for Public Management (IRSPM) – as this conference of some 400 academics from all over the world (from forty countries) so impressively demonstrates!

The program for this conference is also impressive. It reflects the broad palette of current topics of research in public governance and suggests that this week, thanks to the presence of so many top-class participants, we will make a significant contribution towards fulfilling the responsibility we have to share and increase knowledge.

With this in mind, Mr. President, ladies and gentlemen, dear colleagues, I wish you a successful, stimulating, multifaceted, and enjoyable conference!

THE SWISS PARLIAMENT IN TIME OF CRISIS

By Pascale Bruderer Wyss, President of the Swiss National Council (2010)

It is a great honor for me to welcome you to the Federal Parliament Building, in all of its splendor after recent renovations. The frescoes in the chambers of the National Council and the Council of States have been restored to their original beauty, and the members' desks have been raised. Yes – our elected representatives have grown since 1848!

Since its renovation, our national monument, designed by the architect Auer, celebrates even more clearly the foundations of our parliamentary institution. With the technology that has been installed, it is in contact with the rest of the world and ready to face the challenges that the future will bring. The building is a perfect backdrop for our Federal Assembly, for our two-chamber system, and for producing high-quality federal legislation.

The temple of the Swiss Parliament has been modernized with the aim of ensuring greater accessibility to our democratic processes and promoting more participation by our citizens. But what about our Federal Assembly? What reforms have been introduced to adapt it to present-day conditions and prepare it for the succession of crises that have occurred since the start of the 3nd millennium?

I am sure I do not need to remind you that, since the beginning of the 21st century, the world has undergone complex and profound changes. And, indeed, it is precisely one aspect of these changes that is the focus of your attention during this conference.

We are living in an increasingly multi-polar world that is characterized by deepening economic globalization coupled with radical changes in international economic relations and the balance of power. At the same time, popular support for multilateralism and the promotion of democracy in international relations are growing.

Since 2008, economic growth and development have been blocked by a global financial and economic crisis. Although the global economy now shows signs of recovery, the economic foundations, with deep-rooted problems that have not yet been addressed, remain weak. The economic crisis is compounded by challenges related to climate change, food and energy security, and public health; and solutions have not yet been found. Deadly natural disasters have become more common, and non-traditional security threats, such as, terrorism, weapons proliferation, and organized crime, have increased considerably.

Only by working together can parliaments successfully address these and other global challenges, creating a better world for people in all countries.

But parliaments are national institutions, inseparable from their differing histories and cultures. The Swiss Parliament, for example, is the pride of the country's sovereign independence and its desire to defend it, by maintaining bilateral contacts and multilateral parliamentary diplomacy.

The reform of the Swiss Parliament as an institution began long before work started on this magnificent sandstone and marble building. The challenge here is to safeguard the democratic legitimacy of our national parliament in a globalized world, where decisions tend to be made on an international or even a supranational level.

At the same time, it is important to ensure that we have the means to react appropriately to international problems and that we take into account the opinions of the Swiss population.

At the beginning of the 1990s, the new Federal Constitution gave the Federal Assembly more scope in implementing foreign policy. Since then alliances and agreements with other countries have been the responsibility of the Federal Assembly. The Swiss Parliament is also responsible for external security, Switzerland's independence and neutrality, declarations of war, and the signing of peace treaties.

Of course, only the Federal Council can represent Switzerland vis-à-vis other countries and sign agreements that are binding under international law. But according to our basic charter, the executive must cooperate and

coordinate its foreign policy activities with the two chambers of the Swiss Parliament.

The two Councils that make up our parliament approve agreements signed by the government. They control the shape of our foreign policy and monitor it closely. Their legislative powers also encompass foreign policy.

The modernization of the Constitution and the new Parliament Act, both dating from the early 1990s, marked the start of a new era, namely, that of Swiss parliamentary diplomacy. From that time on, the legislative body was to take the initiative by organizing meetings and contacting parliaments of other countries. Only on a small scale, of course, because the means at their disposal are limited.

This parliamentary diplomacy proved to be worth its weight in gold when the financial crisis hit the world and we were compelled to take measures against its negative effects on the economy and employment.

This event compounded the impact of foreign policy within the country. In 2009, the Swiss Parliament approved special economic measures and backed the proposal to save the banking giant UBS. It was not the only parliament to take such measures. All around the world, legislative bodies have been allocating billions of francs to fund economic recovery programs – measures that will have an impact far beyond national boundaries.

The influence of international treaties on Swiss legislation is increasing. At present the Swiss Parliament is examining double-taxation agreements that have been renegotiated according to the norms set out by the OECD.

The new powers given to the members of the European Parliament under the terms of the Treaty of Lisbon also affect Switzerland. A European parliamentary committee will come to Bern on May 26, 2010, to discuss Switzerland’s integration into the EU’s internal market.

I would like to dwell a moment on the value of the two-chamber system with regard to examining international issues and agreements. The two chambers are used for seeking balanced solutions that will most likely be

backed by the majority. This is also a measure of their success in international relations, especially with the EU.

The preparatory committees can identify certain weaknesses in treaties and suggest additional clauses, for example, in the double-taxation agreements or the agreement with the USA on supplying the names of UBS account-holders.

The two-chamber legislative process also has the advantage of clarifying international implications that, in principle, are not of major importance to the population. And since the Swiss Parliament is responsible for implementing the laws that it signs, it reinforces the people's trust in those laws. For example, the Federal Assembly is closely monitoring the effects of the bilateral agreements between Switzerland and the European Union signed in 1999 and 2004.

It cannot be denied that the workings of the two-chamber system take up a considerable amount of time. But the result is well worth it. The same applies to other aspects of the political system in Switzerland, for example, our direct democracy or the inclusion of as many opinions as possible in the consultation process and in hearings, or the sharing of power at all levels.

During these times of radical change, parliaments fulfill an important function. On the one hand, as I have already mentioned, they must take measures regarding financial support and new regulations. On the other hand, they can and must maintain contact with the population. In my view, it is essential that people, who have their own opinions, feel and know that they are directly – or at least indirectly – involved. This is crucial for ensuring the acceptance and credibility of politics, especially in times of crisis.

Because parliaments fulfill an important function, international collaboration among members of the various parliaments is of great and increasing importance.

The Swiss legislative body is a member of the French-Speaking Parliamentary Assembly, the Parliamentary Assembly of the OSCE, the Parlia-

mentary Assembly of the Council of Europe, the NATO Parliamentary Assembly (of which the Federal Assembly is an associate member), the parliamentary committees of the EFTA countries and the European Parliament, the International Conference of the Inter-Parliamentary Union, and the Association of European Senates.

It maintains bilateral relations with the German *Bundestag*, the parliaments of Austria, France and Italy, and the *Landtag* in Liechtenstein.

Consultation between parliaments and governments prior to and during the negotiation of international agreements should take place as a matter of course. It is not practical to expect parliaments to ratify international agreements and legislate their enforcement without having been involved in the earlier stages of negotiation.

It is therefore essential that we develop indicators for our parliaments to measure progress in governmental programs aimed at addressing major challenges such as climate change and food and energy security. Parliaments can do more to ensure that developmental goals are taken into account in our daily work and translated into national programs and laws.

The world will surely continue to be confronted by crises that will pose tremendous challenges to the prevailing order. However, if they are managed democratically, such crises can provide a springboard for vital and regenerative change.

I remain convinced that one essential way to bridge the growing gap between those who live comfortably and those who are needy is to ensure greater participation at an international level.

Since you are deliberately taking up the challenges for public management, I should like to take this opportunity to put forward an idea. In view of the growing complexity and internationalization of political arenas, the need for a corresponding monitoring body will also become more urgent. And it is here that I can see a possible real goal for international collaboration at a parliamentary level. Parliaments could be more active in international affairs by contributing to and monitoring international negotiations, by overseeing the enforcement of agreements that have been

reached by governments, and by ensuring national compliance with international norms and the rule of law.

A solution could be found in the Inter-Parliamentary Union (IPU), the international organization of national parliaments and the global parliamentary counterpart of the United Nations. The IPU facilitates political dialogue and cooperation within and between countries, and it also actively provides support to parliaments. It operates on a small budget and is not burdened by a large bureaucracy, being unique within the panoply of multilateral organizations. The IPU is an ideal tool for ensuring a good relationship between parliaments and the United Nations.

Whatever path is chosen, there are some questions regarding international collaboration that urgently need answers. And in my opinion, whenever these answers are sought, the point of view and experience of parliaments as representatives of the people should not be underestimated. The matter requires urgent attention – to maintain the people's rights and to ensure that executive power can be monitored and the principle of the separation of powers can be instituted worldwide.