

Study on the Efficient Frontier of the Public Service Management

Jie Ma

Department of Law and Politics, Jiangsu Polytechnic University

Changzhou 213164, China

E-mail: maleikejie@sina.com

Abstract

The essential of the efficient frontier of the public service management is to confirm the power selection of the government, the market and the society, and the implementation frontier. In the frame of three-dimensional power, the simple combination of these powers would not form the efficient frontier of the public service management. Therefore, based on the power property and function, these powers must be divided and adjusted with reasonable system arrangement. The generation of the efficient frontier of the public service management is not to share or deny which one power, but maintain a dynamic balance of these three powers. With the advancement and development of the society, though the efficient frontier of the public service management will move slightly, but the substitution effect among powers will not happen.

Keywords: Public service management, Efficient frontier, Three-dimensional power, Division

The public service management is to management aiming at quasi-public services by the public service organizations. In the limitation of the traditional binary thinking, the quasi-public services only are managed depending on the government power and the market power. But, theories and practices have proved that these two powers have their fixed limitations whether they are been used together or respectively. With the introduction of the new concept of “governance” and the formation of the management mode of “small government and big society”, the power processed by the public service organizations except for the government and market, i.e. the society power. Under the frame of three-dimensional power, the simple combination of these powers could not form the efficient frontier of the public service management. Therefore, based on the power property and function, these powers must be divided and adjusted with reasonable system arrangement.

1. Efficient frontier among the power system arrangement

The government power is the public power possessed by the government depending on its special identity, and it has the characteristics such as the authority and the coercive property. For the public services, the government power exerts active function without fail, but for the governance of the quasi-public services, the dominance of the government power will induce many disadvantages. The operation of the government power often leans to the average demand and favor of the public, which could not fulfill the special demand of part people, and response the new demand in time. When the government offers products, the cost benefit mechanism is deficient, and it will often ignore the real demand of the public when it excessively pursues the quantity of the quasi-public products because of the “internal characteristic”, which could not only induce the large waste of the product resources, but will extend the government scale continually, and its indirect representation will be the increase of the national finance budget and the supply cost of the quasi-public products.

The market power is the power of enterprises to pursue the maximization of the profit, and it has the characteristic to pursue the benefit. The non-exclusiveness and the non-competition of the quasi-public products will make enterprises to lack the enthusiasm and drive to offer these products. The non-exclusiveness will make people to select thus consumption mode, i.e. they consume products without costs after others purchases the products, and if all people adopt this mode, no one will actively pay the products. The non-competition will make the marginal cost of the products to be zero, and the price of these products will be zero too. As the rational “brokers”, enterprises will not produce the products without consumers or the products which price is zero. In addition, because the “degeneration” of the market power (pursuing the maximization of the benefit by harming others' benefits), and the asymmetry of the trading information, enterprises will cheat consumers with the advantage of the information.

Therefore, to govern the quasi-public service depending on the government power or the market power could not enhance the efficiency of the public service management. The “failure” of the two-dimensional power makes people to actively seek the “third power” except for the government and the market, i.e. the society power

possessed by the public service organization. The society power is a non-compelling dominant power endowed by the public to the public service organization, and it utilizes the credit resource to communicate the supply and demand parties of the quasi-public products for satisfying part of the common demand of the society. The authority of this power comes from the trust of the supply and demand, and its implementation mainly depends on the persuading mechanism. As the effective carrier of the society power, the innovation and the development of the public service organization make the society power possess good “soil” to survive and grow, and accordingly the arrangement of the two-dimensional power in the public service management is broken, and the three-dimensional power structure including the government power, the market power and the society power is presented.

The essential of the efficient frontier of the public service management is to confirm the power selection of the government, the market and the society, and the implementation frontier. The frontier division of three-dimensional power is the difference in the selection of the system arrangement, but not to deny the difference of certain power, and not the difference of the distribution proportion of resources by the government power, the market power, and the society power. The analysis of the efficient frontier is based on the function of the power possessor, i.e. the organization offers the products and satisfies the demand. Whether the government power, the market power, or the society power is utilized should be decided by which power is more economic and efficient in the implementation. In another words, in the situation that the efficiency that the market allocates the resources is higher, the function of the market power should be exerted fully, and in the situation that the efficiency that the government allocates the resources is higher, the function of the government power should be exerted fully, and in the situation that both the market power or the government power could not be utilized or the trading cost will be increased when utilizing them to allocate the social resources, the public service organization should allocate the social resources by the society power.

2. Factors to restrict the generation of the efficient frontier

(1) The democratization of the country. The practice indicates that the democratization degree of the society is higher, the development of the public service organization is more active, and its possessed society power is stronger. On the contrary, in the society with high centralization of state power, the country would often try to bring any social and civil power into its uniform dominance by controlling main social resources and establishing the longitudinal class system and organization system. In this situation, the society power independent of the government is difficult to form. On the one hand, the government power will continually diffuse and filter into the society, and make the social power in the society be brought into the longitudinal administration relation. On the other hand, the country would often regard the civil powers as the reconstructive objects and the obstacle to realize its own target, so the society power is often in the passive state. It is obvious that in the situation that the democratization degree is lower, the society power is often covered and excluded by the government power, and in the management of quasi-public service, the society power could not exert its dominant function.

(2) The developed degree of the market. The developed degree of the market influences the state and function of the government power, the market power, and the society power in the public service management. Generally, the function of the market power and the society power in the public service management in the perfect market country is bigger than the function in the imperfect market country, and the function of the government power in the perfect market country is smaller than the function in the imperfect market country. For China at present, though the planning economy is turning to the market economy, but because historical base is deficient and the market perfection degree is still low, so the traditional planning color is still deep. Under this situation, the function that the government power allocates the social resources is much bigger than the function in the developed market country, and in the quasi-public product domain, the government often is the unique and direct supplier. But in the country with developed market, the supply of the quasi-public product is mainly assumed by the public service organization, and the government only plays the role of “judge” or “steering”.

(3) The gift of historical resource. The resource gift formed in the history is centralized in the government, and the function of the government power certainly exceeds the country with dispersed resources. For example, Sweden, which implements the policy of welfare, only uses the government power to solve the problems which the market power could not solve, i.e. use the social welfare system to solve them, and the function of the society power is very small. But in US, the function of the society power is very large. Though China is turning from the system depending on the government power and the market power to the system depending on the society power, but the government power is still working in the transformation. At present, the public service organization is not mature and the society power is still weak, the function of the government power in the public service management is till much larger than those countries with developed market economy. With the perfection of the

modern business system taking the reform of the business unit as the start, the government power will be weakened increasingly, and the society power will be strengthened continually.

(4) The social and cultural background. The country advocating the collectivism thinks that the advancement of the society is the result of the learning of the country, not individual power, and the country advocating the individualism thinks that the society is composed by the individuals with independent consciousness, and the advancement of the society is driven by those enterprising individuals continually pursuing maximum efficiency. The former culture trusts in the power of the organization, and the latter culture trusts in the efficiency of the contract. In the countries with the former cultural background, the function of the government power is bigger than those countries with the latter cultural background, and the function of the market power, especially the society power, is smaller than the countries with the latter cultural background. The cultural tradition of China advocates the collectivism, and people also believes in the leading function of the country in the social advancement, but China also relatively lack in the tradition of contract, and people even don't believe in the efficiency of contract. In short term, these concepts will not essentially influence the function of the government power, and the leading function of the government power on the public service organization is still obviously larger than most western countries.

3. Generation of the efficient frontier: power division and adjustment

In the term of planning economy, the management mode of "big government and small society" formed in China. The government has the high centralization of state power, and all things are controlled by the government "from cradle to cemetery", and as the mammy or guardian of the society and individuals, the government completely assumed extensive social affairs. The extreme form was that the government undertook the whole social things, and the society was swallowed by the government. The practice and experience indicated that the mode of "big government and small society" could only obtain low efficiency. With the transformation of the governmental function and the gradual establishment of the socialism market economy system, in the governance of quasi-public service, the separation of the government power and the market power first occurred. According to the principle of "separation of enterprise from administration", the government shrank the range of the public products, and changed the mode of "undertaking the whole things", and gradually released the quasi-public services assumed by the government to the profitable department. In this stage of separation, the government power will descend gradually, and the market power will increase continually.

In this reform of governance, the marketization is an international tide. And the marketization is to introduce the competitive mechanism by a series of modes turning the public to the private and combining the public with the private, enhance the management efficiency and the service quality, and achieve better social governance effect. The marketed value orientation pushed the formation of the mode of "enterprises manage the society". To some extent, the marketization reform also reduces the supply cost of the quasi-public products, enhance the quality of quasi-public service, reduce the financial expenses of the country, and bring some negative influences. As viewed from the commonality, the marketization reform of the government have six problems including the economic loss, the justice loss, the corruption, the deficiency of public responsibility, the stability of the society, and the management crisis of the government. To overcome these disadvantages, the second power separation occurs, i.e. the separation of the market power and the society power. According to the principle of "separation of business and enterprises", the quasi-public services managed by the enterprises are gradually turned to the public service organization. At that time, the function of the market power in the quasi-public service management is gradually weakened, and the function of the society power is strengthening gradually.

With the change from the "big government" to the government of service and efficiency, and the deep development of democratization, the socialization course of the quasi-public service is further driven. The socialization means that the government transfers some functions to the society, and also transfer the corresponding power of the function to the public service organization. The socialization is the not the process that the government "gives up power", but the process that the government "returns the power", and that the power disperses to the society is the essential of the socialization. The socialization drives the third separation of power, i.e. the separation of the government power and the society power, and the change tendency is to further weaken the government power and strengthen the society power. According to the principle of "separation of administration and business", the situation that the public service organization is the appendix of the government will be changed completely, and the social function with technical and service property assumed by the government will be separated, and the administrative function assumed by the public service organization will be returned to the government. In brief, the government will be the "political decision-maker" offering quasi-public product, and the public service organization will be the undertaker of the quasi-public product.

Before the efficient frontier of the public service management forms, the efficiencies of various combination of the government power, the market power, and the society power all are lower. Through three times of division and adjustment of power, the efficient frontier of the public service management gradually generates. The formation of the efficient frontier would not means unique society power, and the regression and disappearing of the government power and the market power, but a dynamic balance of three-dimensional power. Their proportions of the function in the public service management should be “society power > market power > government power”. In the public service management, the function of the government power is to lead and standardize the public service organizations. By certain policies, rules, laws, and regulations, the government uses the legal measure to adjust the activities of the public service organization properly, and actively encourage, promote or passively limit and forbidden according to whether their activities accord with the requirements of laws and policies. In another words, the government lead the correct operation of the society power by the laws and polices, and standardize the effective operation of the public service organizations. The function of the market power is not to substitute the society power, but introduce the demand, price, competition, and encourage mechanism into the public service organizations. And by the demand mechanism, the public service organizations enter into the business-type market to fully survey the demand of the quasi-public products, and establish reasonable strategies and plans; use the price mechanism to establish the reasonable price of the products; gradually broken the monopolization by the competition mechanism; utilize the encourage mechanism to continually stimulate their members’ enthusiasms and creations, and better enhance the efficiency of the public service management. In the public service management, the society power exerts the leading function, and manages the concrete quasi-public services by many modes such as planning, organizing, harmonizing, and controlling.

In particular, with the advancement and development of the society, and the perfection of various factors, the proportion three-dimensional power of government, market, and society may change, and the efficient frontier also may move slightly, but the substituted effect among powers will not occur, and even it occurs, it is inefficient.

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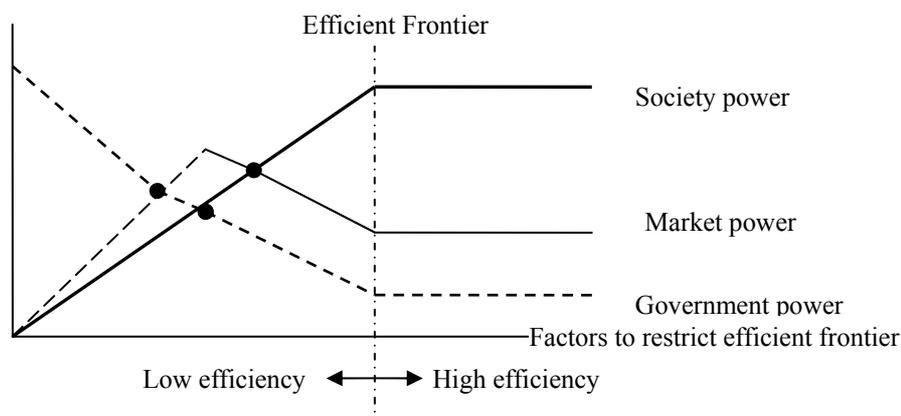


Figure 1. Sketch Map of the Generation of the Public Service Management Efficient Frontier