

# **The Ethics of New Public Management: Is Integrity at Stake?**

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Since the late 1980s,<sup>1</sup> public administration has adopted a businesslike approach, more commonly referred to as *new public management* or *NPM*. Output budgeting, privatization, competition and commercialization are receiving more attention than are the exclusive character of certain public tasks and the notion of the *common good*. It certainly is a praiseworthy aim of a government to try to manage the means at its disposal in an efficient way, but the question has been raised if too much identification with the style of the private sector might not generate undesired effects too – for instance in the area of public integrity. This aspect of new public management has been underestimated in the debate until now.

The aim of this paper is to explore the possible negative as well as the positive effects on public integrity caused by the introduction of businesslike methods in the public service.

First, the concept of New Public Management will be explored. What are the main differences from the traditional Weberian concept of bureaucratic government?

Second, we will discuss the possible relationship between NPM and Public Integrity.

Third, the design for a survey investigation within the Dutch Police – to be conducted during the fall of 2003 – will be presented.

### ***The basics of NPM***

The first principle of the new public management is managerialism, defined by Pollitt<sup>2</sup> as involving:

- Continuous increases in efficiency.
- The use of “ever-more-sophisticated” technologies.
- A labor force disciplined to productivity.
- Clear implementation of the professional management role.
- Managers being given the right to manage.

Throughout its history the public sector has intermittently rediscovered the need for a focus on productivity, performance and control.<sup>3</sup> In the United States all new political leaders – from the Taft Commission in 1910 to the National Performance Review in 1993 and the eight reform initiatives between them – assume in the opening statements of their reform visions that “....government is dysfunctional, fragmented, badly organized, and incapable of performing at a level acceptable to the public.”<sup>4</sup> Taylor had a significant influence on government services before the first world war<sup>5</sup> and even Weber represented bureaucracy as a threat to parliamentary democracy. Once bureaucracy is established, he said, it becomes almost impossible to abolish. Moreover it serves as a “power instrument of the first order – for the one who controls the bureaucratic apparatus.” Weber also seems to doubt that even “the one who controls” can truly do

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<sup>1</sup> One can argue about the “birthday” of New Public Management. Pollitt *et al.* (2000: 10) refer to *public management* as a term not much used before the 1970s and most of the literature on (new) public management is dated after 1980 (see Pollitt *et al.*, 2000, and Hood, 1991). Since NPM overlaps the eras of *New Public Administration* (1971-1987), *Reconstruction* (1987-1992), and *Reinvention* (1992-present), as distinguished by Cohen *et al.* (1998), it seems safe to date the establishment of NPM in the late 1980s.

<sup>2</sup> See Pollitt (1993: 2-3)

<sup>3</sup> See Walsh (1995: xiii)

<sup>4</sup> As quoted in Huberts *et al.* (1999: 6).

<sup>5</sup> See Nesbitt (1976: 284).

so, for bureaucracy is both indispensable to society and highly technical and secretive in nature. The elected politician, supposedly bureaucracy's master, becomes to Weber an impotent dilettante.<sup>6</sup> The aim of managerialism is to gain more effective control of work practices.

The second principle of the new public management is based upon indirect control rather than upon direct authority. The strategic center attains its objectives through creating processes of management that involve appropriate incentives and value commitments. The emphasis is not so much upon managers' right to manage, as upon the need for managers to be appropriately motivated and believe the right things. The characteristics of the second principle of the new public management are:

- Continual improvements in quality.
- Emphasis upon devolution and delegation.
- Appropriate information systems.
- Emphasis upon contract and markets.
- Measurement of performance.
- Increased emphasis on audits and inspection.

The two principles of the new public service management are quite distinct. The first, Taylorist, principle is based on the adoption of industrial production engineering techniques within the public sector. It is not a rejection of bureaucracy but its fulfilment. The second is based on the primacy of market-based coordination.<sup>7</sup>

The argument for the introduction of market processes is that it increases both efficiency and accountability. Efficiency is argued to follow from the clearer statement of what is to be provided, and the pressure that results from consumer choice. The argument for the greater efficiency of the market compared to traditional bureaucracy is often simply asserted, with little attempt at justification. In practice the evidence for the greater efficiency of the new pattern of public service management is limited. The evidence on effectiveness and the quality of service is even more debatable.<sup>8</sup> Van Mierlo adds to this some examples and concludes that the opinion that business organizations have succeeded much better in fighting bureaucracy and bureaucratization than government organizations, is based more on speculation and prejudice than on the results of empirical research.<sup>9</sup>

A variety of market mechanisms have been proposed and adopted for the reform of bureaucracy, apart from outright privatization. The basis of organization is changing from hierarchical authority to contracts and markets. To some extent this change parallels developments in the private sector, where there is a growing use of contracts, internal pricing and outsourcing of services.

A central feature of the new public management is the separation of politics and management.<sup>10</sup> Politicians, it is argued, should play a strategic role, deciding on broad policies

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<sup>6</sup> See Gerth *et al.* (1946: 228-29, 232-33).

<sup>7</sup> This division in characteristics was designed by Walsh (1995) and seems to be a good starting point for measuring the level of businesslike approach in a public service organization. We will develop this in more detail in the last paragraph of this chapter.

<sup>8</sup> See Walsh (1995: xix).

<sup>9</sup> See van Mierlo (1995).

<sup>10</sup> See Walsh (1995: xx). This idea of separation was already one of the characteristics of Weber's Bureaucracy

and setting targets for managers, rather than being involved in day-to-day operational issues.<sup>11</sup> This approach is maintained to be the route to overcoming the public choice problems identified by Niskanen<sup>12</sup> and others, where both politicians and managers have an incentive to pad budgets. A combination of internal markets, performance measures and inspection is seen as outweighing the incentives of self-interest. The voice of the ‘customer’ will be heard through complaints processes.

## ***Reinventing Government***

Osborne *et al.* use the phrase *entrepreneurial government* to describe the new model they see emerging across America.<sup>13</sup> In their words, referring to Say,<sup>14</sup> an entrepreneur uses resources in new ways to maximize productivity and effectiveness, and this definition applies equally to the private sector, to the public sector, and to the voluntary, or third sector.

Osborne *et al.* argue that careful studies demonstrate that entrepreneurs do not seek risks, they seek opportunities. Many people nevertheless assume that entrepreneurs are risk-takers. They shy away from entrepreneurial government because, after all, who wants bureaucrats taking risks with their hard-earned tax dollars?<sup>15</sup>

Osborne *et al.* explicitly state the underlying beliefs that have driven them to write their book. Here they are:

1. We believe deeply in government. We do not look at government as necessary evil. The problems modern society faces have to be solved by acting collectively. How do we act collectively? Through government.
2. We believe that civilized society cannot function effectively without effective government – something that is all too rare today. We believe that industrial-era governments, with their large, centralized bureaucracies and standardized, “one-size-fits-all” services, are not up to the challenges of a rapidly changing information society and knowledge-based economy.
3. We believe that the people who work in government are not the problem; the systems in which they work are the problem.
4. We believe that neither traditional liberalism nor traditional conservatism has much relevance to the problems our governments face today. We will not solve our problems by spending more or spending less, by creating new public bureaucracies or by “privatizing” existing bureaucracies. At some times and in some places, we do need to spend more or spend less, create new programs or privatize public functions. But to make our governments effective again we must *reinvent* them.
5. We believe deeply in equity – in equal opportunity for all Americans.<sup>16</sup>

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(Elwell, 1996).

<sup>11</sup> See Audit Commission (1990).

<sup>12</sup> See Niskanen (1971).

<sup>13</sup> See Osborne *et al.* (1992, xix).

<sup>14</sup> The French economist J.B. Say coined around the year 1800: “The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.” (Quoted in Drucker, 1985: 21).

<sup>15</sup> See Osborne *et al.* (1992, xx).

<sup>16</sup> Osborne *et al.* (1992, xix) argue that “*some of the ideas in their book may strike readers as inequitable. When we*

According to Osborne *et al.* the key to reinventing government is changing the incentives that drive public institutions, or *changing the markets that operate within the public sector*. Examples range from competition in education to supplying information about the quality of training providers into the system. They also cover, in unemployment insurance for example, the creation of a financial incentive for corporations to retrain employees rather than lay them off.

But market mechanisms are only half the equation. Even the most carefully structured markets tend to create inequitable results. Osborne *et al.* also stress the other half of the equation: the empowerment of communities.<sup>17</sup> To complement the efficiency and effectiveness of market mechanisms, we need the warmth and caring of families and neighborhoods and communities. As entrepreneurial governments move away from administrative bureaucracies, they need to embrace both markets and community. A summary of the 36 alternatives to service delivery by public employees Osborne *et al.* found in use across America is given in table 1.<sup>18</sup>

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*talk about making public schools compete, for instance, some fear that the result would be an even less equitable education system than we have today. But we believe there are ways to use choice and competition to increase the equity in our school system."* Anechiarico *et al.* (1996: 186-188) describe how major corruption scandals indicate the problems that need to be addressed in decentralized school districts in New York

<sup>17</sup> See Osborne *et al.* (1992, 309).

<sup>18</sup> For a description of the alternatives, see Osborne *et al.* (1992: 332-342).

Creating Legal Rules and Sanctions	Changing Public Investment Policy
Regulation or Deregulation	Technical Assistance
Monitoring and Investigation	Information
Licensing	Referral
Tax Policy	Volunteers
Grants	Vouchers
Subsidies	Impact Fees
Loans	Catalyzing Nongovernmental Efforts
Loan Guaranties	Convening Nongovernmental Leaders
Contracting	Jawboning
Franchising	Seed Money
Public-Private Partnerships	Equity Investments
Public-Public Partnerships	Voluntary Associations
Quasi-Public or Private Corporations	Coproduction or Self-Help
Public Enterprise	Quid Pro Quos
Procurement	Demand Management
Insurance	Sale, Exchange, or Use of Property
Rewards, Awards, and Bounties	Restructuring the Market

Table 1. *36 alternatives to service delivery by public employees (Osborne et al., 1992).*

So far so good. The question rises why so many critics have attacked the ideas of Reinventing Government. Osborne *et al.* describe successful projects and experiences that merely focus on providing better quality for less money by cutting down unnecessary regulations and creating opportunities for creative solutions and cooperation. Sometimes the book even breathes an atmosphere of “serving rather than steering,”<sup>19</sup> to use the title of one of the critics of NPM.<sup>20</sup> On the other hand Osborne *et al.* do not work out the promoted empowerment of communities, and the words *value*, *integrity* and *ethics* are non-existent in the 405 page book.

Contrary to the believe of most theorists, researchers, practitioners and even reinventing advocates, reinvention does not recommend that government be run like a business.<sup>21</sup> In fact, Osborne and Gaebler conclude that the differences between the public and private sectors are so fundamental that government cannot be run like a business.<sup>22</sup> What they do suggest is that government needs to become more entrepreneurial. Entrepreneurial government seeks to move resources from areas of lower return to areas of higher return.

<sup>19</sup> In a publication called *Making Government Work*, the Public Employees Department of the AFL-CIO recommended restructuring service delivery systems to create one-stop shopping, single intake systems, case management, and the like. It held up models such as New York State’s merger of Job Service and Unemployment Insurance offices into Community Service Centers, in which the unemployed can sign up for unemployment insurance and food stamps and receive information about education, training, child care, and jobs – even during the evening. The idea, it said, is to “serve people, not funding streams.” (Osborne *et al.*, 1992, 193).

<sup>20</sup> See Denhardt *et al.* (2000).

<sup>21</sup> See Cohen *et al.* (1998: 6).

<sup>22</sup> See Osborne *et al.* (1993: 20).

## ***Integrity and NPM***

Bovens observed in 1996<sup>23</sup> that corruption and public integrity were back on the agenda in many European countries while there are according to him no empirical data available to confirm this generally accepted picture of a public service tainted by corruption.<sup>24</sup> Bovens attributes the huge discrepancy between public concern and empirical data to the fact that convictions might be only the tip of an iceberg, a declining respect for public authorities and the legitimacy of public policy in a climate of cutbacks in public spending and funding. However, these factors do not explain completely the raise in public concern. Bovens raised the question if the actual situation might not be that government has indeed become less unimpeachable, but that this change cannot be traced in the criminal statistics?

To answer this question Bovens took a closer look at the type of cases and allegations that gave rise to public debate and media attention.<sup>25</sup> According to Bovens many of these cases did not involve behavior that could be considered corrupt in the strict, legal sense of the criminal code.<sup>26</sup> They involved, for example, the following issues:<sup>27</sup>

- Business presents, business trips and other perks.
- The sale of a municipal camping site to (former) municipal officials.
- Private enterprises of civil servants.
- The commercial operation of the Amsterdam police training center.
- The contracting-out of municipal catering services (to an allegedly criminal organization).
- Extra bonuses and salary packages for top civil servants and agency heads.
- Agency heads subcontracting with firms they were personally involved in (through stocks, board membership or personal relations).

All of these rather diverse cases have in common that they involve activities of the kind that we explored in the paragraph on New Public Management. Non of the cases involved bribes in the strict technical sense. Therefore, the cases did not proceed beyond

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<sup>23</sup> Bovens (1996b: 125).

<sup>24</sup> Bovens based this conclusion on criminal statistics on convictions for corruption (Hoetjes, 1991). This might be the reason why he did not include the scandal on police investigation techniques that caused a parliamentary inquiry into practices by the Dutch police that could be called “noble cause corruption.” (Enquêtecommissie opsporingsmethoden, 1996). For an elaboration on the topic of “noble cause corruption” see Punch (1994: 38).

<sup>25</sup> Bovens (1996b: 128).

<sup>26</sup> Ironically, since the publication of Bovens’ paper in 1996 two major scandals, which did result in criminal charges, got a lot of attention in the Netherlands. The first was the South Holland banking scandal (described by Yesilkagit *et al.*, 2001) which had striking similarities to the Orange County bankruptcy case (Cohen *et al.*, 1999). The second was a big fraud and corruption case in which building and construction firms with the aid of civil servants overcharged the Dutch government millions of Euros. A parliamentary enquiry was held in 2003 and the public prosecutor’s office is preparing criminal charges against private contractors as well as civil servants.

<sup>27</sup> One could argue that at least some of the examples described are breaches of integrity, prohibited by governmental codes of conduct or other internal regulations. However, most codes of conduct in the Netherlands were introduced after 1996.

the level of public and political upheaval; no criminal investigations were started. However, they did provoke public discussion. Most of these discussions centered the issue of the propriety of the behavior of the public officials or entities. How far can one go when introducing market values into government? These are questions that would not have arisen one or two decades ago. All of these cases and questions are related to what Bovens calls the “managerial shift in Western government,” referring to Lane.<sup>28</sup>

Lane observes several signs to the effect that “public administration” is about to be driven out by “public management” as the paradigm for interpreting the public sector, in particular in relation to problems of organization and leadership.<sup>29</sup> The public administration approach according to Lane covers a large number of different models which are in no way in harmony with each other. But taken together these principles structure the administrative state in contradistinction to the management state recommended by the management approach.

The public administration framework is based on the belief in the possibility and desirability of public administration as a real phenomenon.<sup>30</sup> Drawing upon several models – classical organization theory, Weberian bureaucracy theory, public law notions and public policy models – the public administration approach outlines the distinctive maxims of the public organization. The strong entrenchment of institutions in the public sector is a safeguard against abuse of power, public office, and funds.<sup>31</sup> Public administration is about rights, duties and competencies. In order to handle these, it focuses on the stability, fairness and predictability of rules and procedures. Public management, on the other hand, is about costs, benefits, objectives and profits. It therefore focuses on the efficiency, effectiveness and flexibility of organizations and other instruments.<sup>32</sup> Table 2 summarizes the characteristics of the two approaches.

Public administration perspective	Public management perspective
Rules	Objectives
Due Process	Efficiency
Anticipation	Adaptation
Responsibility	Direction
Formalism: “the case”	Innovation
Openness	Secrecy
Complaint: voice	Exit
Legality	Effectiveness
Vocation	Self-interest
Public interest	Profit

Table 2. *Public administration versus public management (Lane, 1995: 195)*

<sup>28</sup> See Lane (1994).

<sup>29</sup> See Lane (1995: 200).

<sup>30</sup> Lane uses a rather economic perspective to look at public administration. Remarkably he reaches the same conclusion as e.g. McSwite (2002) and Goodsell (1994), who approach the phenomenon with political and philosophical viewpoints.

<sup>31</sup> See Lane (1995: 195).

<sup>32</sup> See Bovens (1996b: 129) and Lane (1995: 194-199).



Lane also distinguishes drawbacks in the transformation process. The public administration framework cannot easily be replaced by the new management approach, as the former has qualities not covered by the latter.<sup>33</sup> Internal markets will not be able to meet the non-pecuniary goals connected with the public sector, in particular the strong emphasis upon legality and its various values. There is more to the public sector than efficiency. The notion of justice looms large in the public sector, but where does it fit into the internal market framework?

So now we have arrived at the topic of values of the public and the private sector, as a part of organizational ethics.

Many authors have tried to sum up the basic common values involved in the public as well as in the private sector. Others distinguish between the two sectors as Lane did. What are the core values of both areas? And how do public and private sector values relate to one another? The answer is not an easy one. Contradictory visions can be found in published literature. Among the scarce attempts of comparing the two were those by Huberts,<sup>34</sup> later elaborated in papers presented at the 2002 ASPA Conference and the 2003 EGPA Conference.<sup>35</sup>

On the one hand there is the view which can be summarized in two statements: “Moral dimensions and criteria can be applied to all kinds of organizations”<sup>36</sup> and “Business ethics and public sector ethics share basic values and norms (and thus are very much alike).”<sup>37</sup>

On the other hand, there is the opposite view, which stresses that there is a fundamental conflict between the moral foundations of the public and the private sphere. Its most prominent representative is Jane Jacobs who described in her book about moral syndromes, *Systems of Survival* (1992) a *commercial moral syndrome* and a *guardian moral syndrome* (summarized in Table 3). Both are valid and necessary moral systems; however, organizations will sink in “functional and moral quagmires ... when they confuse their own appropriate moral system with the other.”<sup>38</sup>

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<sup>33</sup> See Lane (1995: 200).

<sup>34</sup> See Huberts *et al.* (1999: ch.12)

<sup>35</sup> See Kolthoff *et al.* (2002a and 2002b) and Huberts *et al.* (2003).

<sup>36</sup> Kaptein (1998: 9).

<sup>37</sup> At the international conference on Ethics in the Public Service held in the Netherlands in 1998 a clear majority of the participants (85%) agreed with the thesis, “Business ethics and public sector ethics share basic values and norms (and thus are very much alike).”

<sup>38</sup> Jacobs (1992: xii).

Commercial Moral Syndrome	Guardian Moral Syndrome
Shun force	Shun trading
Come to voluntary agreements	Exert prowess
Be honest	Be obedient and disciplined
Collaborate easily with strangers and aliens	Adhere to tradition
Compete	Respect hierarchy
Respect contracts	Be loyal
Use initiative and enterprise	Take vengeance
Be open to inventiveness and novelty	Deceive for the sake of the task
Be efficient	Make rich use of leisure
Promote comfort and convenience	Be ostentatious
Dissent for the sake of the task	Dispense largesse
Invest for productive purposes	Be exclusive
Be industrious	Show fortitude
Be thrifty	Be fatalistic
Be optimistic	Treasure honor

Table 3. *Elements of the moral foundations of commerce and politics (Jacobs, 1992:215.)*

### *Intermezzo*

The primary source for the proposition of Jacobs is Plato's *Republic*.

It is shown in Plato's masterpiece that virtues can be used in a meaningful way in connection with collectives. The nominal purpose of *The Republic* is to answer the question: What is justice? The Greek word for justice covers much more than our concept of legal or political equality; it also means righteousness, in the sense of the exercise of virtue rather than mere abstinence from vice. Plato's search for justice is the search for the good life, for some principle or mode of conduct by which men as well as States may exploit their best nature to the fullest.<sup>39</sup> Two opposing views of justice have been presented in the first book of *The Republic*. The wealthy Cephalus and his son, representing conventional morality, have suggested that justice is no more than fairness and honesty in one's dealing with other people. Thrasymachus has argued that justice is in the interest of the strong and consists in obedience to established authority. Socrates finds that neither of these views can serve as any transcendent rule of life. After a discussion merely on the education of the guardians, Socrates and his companions arrive at a definition of justice in Book IV of the Dialogue. Justice, they find, is a balance or harmony. In the State each citizen does what he is best fitted for, and in the individual each of the faculties operates in the same manner; reason is Governor in both.

If the State is good, it will possess the four accepted cardinal virtues – wisdom, courage, temperance and justice.<sup>40</sup> It is agreed that it is wise in virtue of

<sup>39</sup> See Kaplan (1950).

<sup>40</sup> See the introduction to *The Dialogues of Plato* by R.M. Hare and D.A. Russell in Jowett (1970), Bakker

the knowledge by which the state as a whole is regulated, that is by the knowledge of the smallest part of it, the guardians.<sup>41</sup> Similarly it will be courageous in virtue of the qualities displayed by the part which fights on its behalf, namely the auxiliaries (the “epikouroi” or soldiers), courage being defined as the power to preserve in all circumstances a true belief about what is and what is not to be feared. To be temperate is to order and control certain pleasures and desires, to be “master of oneself,” – a paradoxical phrase since the master and that which is mastered are one and the same person. Wisdom in the rulers, courage in the warriors, and temperance as a virtue of all classes are to be the virtues of the State. Justice has been left for the last. In some form it is the principle in accordance with which the city was founded, the principle that one man should do one job, the job for which he was best adapted. To be just is to attend to one's own business and not meddle in what is not one's concern.<sup>42</sup>

*“But when the cobbler or any other man whom nature designed to be a trader, having his heart lifted up by wealth or strength or the number of his followers or any like advantage, attempts to force his way into the class of warriors, or a warrior into that of legislators and guardians, to which he ought not to aspire, and when these exchange their implements and their social position with those above them; or when one man would be trader, legislator, and warrior all in one, then I think you will agree with me in saying that this interchange and this meddling of one with another is the ruin of the State.*

*Most true.*

*Seeing then, I said, that there are three distinct classes, any meddling of one with another, or the change of one into another, is the greatest harm to the state, and may be most justly termed evil-doing?*

*Precisely.*

*And the greatest degree of evil-doing to one's own city would be termed by you injustice?*

*Certainly.*

*This then is injustice; and on the other hand when the three main classes, traders, auxiliaries, and guardians, each do their own business, that is justice, and will make the city just.”<sup>43</sup>*

Plato's political theory is closely modeled on his psychology, the soul of man being, for him, a micro cosmos of the State. What is true of the soul is, given a few obviously necessary modifications, true of the State.<sup>44</sup>

Reading this, one can easily follow Jane Jacobs' line of thinking. What is striking is that she does not refer to the later work of Plato. If we look at the *Laws*, Plato's last and longest sermon, we see that the importance of law overshadows

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(1957: 48) and Vogel (1974: 80).

<sup>41</sup> To be more precise, the “teleoi phylakes” or governors, selected from the guardians or Phylakes

<sup>42</sup> Plato, Republic: 433a

<sup>43</sup> Plato, Republic: 434b,c

<sup>44</sup> See Joad (1962) and Wempe (1998: 183).

all, and the ideal ruler with his expert knowledge of moral values is barely mentioned. Plato now sees law as the supreme, though essentially imperfect, instrument for the moral salvation of society: he calls it the “dispensation of reason”,<sup>45</sup> and the entire life of the community must accordingly be governed by a detailed code of laws which will express as far as possible the philosopher’s vision of the true good.<sup>46</sup> Transferred to our modern time we can discover solid arguments in favor of the Rule of Law and sustainable codes of conduct:

*“Such people are usually referred to as “rulers,” and if I have called them “servants of the laws” it’s not because I want to mint a new expression but because I believe that the success or failure of a state hinges on this point more than on anything else. Where the law is subject to some other authority and has none of its own, the collapse of the state, in my view, is not far off; but if law is the master of the government and the government is its slave, then the situation is full of promise and men enjoy all the blessings that the gods shower on a state. That’s the way I see it.”<sup>47</sup>*

Warnings against the confusion of morals often lead to doubts about practices from the commercial world being applied to the public sector and thus transforming governmental agencies into hybrid organizations with, according to some authors, an increased risk of integrity violations.<sup>48</sup> This often focuses on imaginable problems for public sector officials. They are confronted with the temptations of the market sector and with behavior that is considered prestigious in the private sector and corrupt in the public sector.

Some opponents of the reinventing government movement have drafted a new concept for public service resulting from their criticism.

### ***Serving, not Steering: New Public Service.***

DeLeon and Denhardt<sup>49</sup> examine the three aspects of the *reinventing movement* – the market model, the emphasis on customers, and entrepreneurial management. According to them there is, with regard to the market model, a long-standing tradition in public administration that government should be run like a business. For the most part, this recommendation has meant that government agencies should adopt practices, ranging from scientific management to total quality management, that have been found useful in the private sector. The reinventing movement takes this idea one step further, arguing that government should not only adopt the *techniques* of business administration, but should also adopt the *values* of business. In the third element – entrepreneurial management – we find some concrete references to values. According to deLeon and Denhardt, entrepreneurs create and innovate. The “shadow” side of the entrepreneur is characterized by a narrow focus, an unwillingness to follow rules and stay within boundaries, and a preference for action so strong as to threaten accountability – all values opposed to the

<sup>45</sup> Plato, *Laws*: 714

<sup>46</sup> Introduction to *The Laws* (Saunders, 1970: 27)

<sup>47</sup> said the Athenian to Cleinias (Plato, *Laws*: 715).

<sup>48</sup> See Jacobs (1992), Denhardt *et al.* (2002) and Frederikson (1996).

<sup>49</sup> See deLeon and Denhardt (2000).

ones we consider traditional for the public sector. Bellone and Goerl<sup>50</sup> even argue that entrepreneurship places value on autonomy, personal vision, secrecy, and risk-taking, which are opposed to administrative values such as democratic accountability, participation, openness, and stewardship. DeLeon and Denhardt conclude their article with a warning to administrators who support the reinvention movement, that they should recognize the aspects of democratic governance that they are rejecting – democratic citizenship, civic engagement, and the public interest. Many, they suspect, will feel uneasy when realizing that they are moving away from such fundamental values.

Denhardt and Denhardt<sup>51</sup> argue that public administrators influence, and are influenced by, all of the competing standards, values, and preferences of the complex U.S. governance system. These variables not only influence, and are influenced by, public administrators; they also represent points of accountability. They plead for a “New Public Service” instead of “New Public Management” under the slogan “Serving rather than Steering.” Maesschalk<sup>52</sup> defines the New Public Service approach as a viable third alternative to the observed dichotomy between “the old public administration” and “the new public management,” paying considerable attention to the development of a new ethic for public servants. The new public service authors largely join the traditionalist group in their negative assessment of the ethical consequences of NPM reforms but do not agree with their solution.<sup>53</sup> They propose new mechanisms in which “the primary role of the public servant is to help citizens articulate and meet their shared interests rather than to attempt to control or steer society.”

### **Ethical Public Entrepreneurship?**

So, fears are often expressed that exposing managers to the private sector values might cause them to lose their integrity. But also the implementation of techniques and tools from the private sector into the public sector can involve integrity breaches, according to some authors.<sup>54</sup> How real is that fear? Empirical research should be able to answer that question. Lawton states that “the evidence is thin on the ground.”<sup>55</sup> Integrity is linked to role, to office and to concepts of trust. Apart from their personal qualities, we will trust the head teacher, the police sergeant, and the doctor because of their profession and their expertise.<sup>56</sup> Lawton continues that “their professional integrity will require them to act on behalf of the citizen.” Or in other words: the integrity of public professionals will not be affected by contacts with the private sector.

Elsewhere, Lawton adds that there is also little evidence that public sector integrity might be undermined by the New Public Management trend: “Arguments that in

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<sup>50</sup> See Bellone and Goerl (1992).

<sup>51</sup> See Denhardt *et al.* (2000 and 2002).

<sup>52</sup> See Maesschalk (2001).

<sup>53</sup> See Frederickson (1997) and Chapman and O'Toole (1995).

<sup>54</sup> See Bovens *et al.* (1996a).

<sup>55</sup> See Lawton (1999: 69).

<sup>56</sup> We would like to add that this statement is only valid in a specific cultural context. In many countries police sergeants are not the most trusted persons one can imagine.

adopting private sector techniques, practices and people, the public service ethos is somewhat corrupted are not convincing.”<sup>57</sup>

Taylor even goes a step further, discussing the relationship between the Australian Department of Defence and the defence industry. He stresses that the interface with the private sector needs to be carefully managed and that one of the lessons of the interaction with the private sector is:

*“Do not assume that the public sector is more ethically aware than the private sector.”*<sup>58</sup> In other words: Developments in the business sector can contribute toward making the public sector more ethical.

Lawton and Taylor are far from pessimistic about the consequences of more contacts between the market sector and the state (government and public administration). They doubt it will lead to increased corruption and fraud in the public sector.

Bovens speculates that the present public debate about integrity can be helpful, as it exposes the possible dangers. Once most of the risks and pitfalls are charted, protocols can be drafted and procedures implemented that provide some normative guidance and institutional security<sup>59</sup>. Bovens refers for examples to the experience of large corporations, which had to deal with these issues long before. However, some important parts of the managerial shift might cause permanent perplexities, according to Bovens. “It may very well be that managerial novelties, such as public-private partnerships, private enterprises of civil servants and public profit centers, will continually result in questions about the integrity of government. The reason for this would be that they do indeed involve a hybrid mixture of incompatible moral values, as they introduce commercial precepts into a guardian practice.” Bovens sees two possibilities for the future of the integrity of the managerial state. The first one is decomposing into its two separate parts: All the commercial elements will then, through privatization, be performed by private organizations. In the second option, once the managerial approach has become accepted, the integrity of the managerial state might turn out to be basically a managerial problem. Combinations of commercial and guardian activities within one single agency or branch will pose formidable challenges for institutional design and managerial integrity.<sup>60</sup>

In the Netherlands, the Market and Government Working Group of the Department of Economic Affairs also recognized the risk of integrity violation as a result of the businesslike approach to government.<sup>61</sup> In its final report the Working Group concluded:

*“If government organizations start to pursue other activities in addition to their public duties, this can give rise to questions regarding their performance of their primary task. This can create substantial risks for the public service itself.”*

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<sup>57</sup> See Lawton (1998: 65).

<sup>58</sup> See Taylor (1999: 91).

<sup>59</sup> See Bovens (1996b: 130). Indeed, in recent years we observe an enormous rise in the occurrence and social importance of codes of conduct and integrity awareness programs (see, e.g., Kaptein, 2003).

<sup>60</sup> See Bovens (1996b: 132).

<sup>61</sup> Werkgroep Markt en Overheid (1997).

The Working Group suggested the following solutions, that were adopted by the Dutch government and were meant to be included in national legislation.<sup>62</sup> In fact, they elaborate on the first solution suggested by Bovens.

<b>1: Eliminate unfair competition factors</b>	<b>2: Expose public task to competition</b>
<i>Structural solution:</i>	
Segregate and dispose of commercial activities	Privatization
	Private providers, subject to conditions
<i>Rules of conduct solution:</i>	
Eliminate inequalities as far as possible	Tendering

Table 4. *Solutions for unfair competition. (Werkgroep Markt en Overheid, 1997).*

It seems safe to assume that the Working Group focused on commercial activities performed by public agencies. It is necessary to distinguish this kind of public activity from “simply” adopting practices for efficiency purposes from the business sector.

The research by van Helden *et al.* into adoption of NPM styles in Dutch local government indicates that some elements (such as “performance-related pay”) are used to only a limited extent, whereas other elements (in particular increased vulnerability of top management) are increasingly important, although unrelated to NPM. Moreover, the behavioral impact of newly developed NPM instruments, such as the actual use of performance information for planning and control, as well as for evaluation of managers, was limited. Although NPM made private sector ethics more important, the attention for public sector ethics has increased as well, probably, according to van Helden *et al.* as a defence shield against the dominance of business ethics.<sup>63</sup>

Frederickson used the Orange County<sup>64</sup> case to present a very strong argument against the reinvention principle of enterprising government – that public officials should look for opportunities to earn rather than to spend money.<sup>65</sup> Frederickson argues that business and government have very different goals and therefore the techniques of private sector entrepreneurship are seldom appropriate and often result in unethical behavior by public officials. Frederickson also argued that corruption and unethical behavior in

<sup>62</sup> On July 17, 2003, the NRC newspaper reported that the government will withdraw the bill on *market and government* from parliament because of the many criticisms and adjustments that parliament suggested. The cabinet fears that the bill will be unworkable and wants instead to extend the legislation on fair competition, with consequently more power for the Dutch Competition Authority.

<sup>63</sup> See van Helden *et al.* (2003: 17)

<sup>64</sup> For a description of the Orange County case in which the county went bankrupt as a result of using a high risk investment strategy, as well as a comment on Frederickson's viewpoint, see Cohen *et al.* (1999).

<sup>65</sup> See Frederickson (1995)

government are on the rise because we are trying to run government organizations as if they were businesses.<sup>66</sup>

Cohen *et al.* look at four other cases of public entrepreneurship and conclude that although they share the view that entrepreneurial government increases the danger of corruption and ethical misconduct, they are convinced that entrepreneurship in government is needed, frequently demanded and can be ethical.<sup>67</sup> What is needed, they continue, are better guidelines for practitioners to use the potential benefits of public entrepreneurship effectively and ethically. Cohen *et al.* argue that the cases discussed as well as their experience indicate that even the most able public officials are not fully equipped to determine the degree of risk in a particular innovation and accurately assess the ethical questions it may encompass. Neither are they clear about the proper process to follow when seeking to make decisions regarding risk, innovation and ethics. The solution is not to discourage public entrepreneurship but rather to establish practical principles to ensure that it is exercised in an effective and ethical manner.<sup>68</sup> Cohen *et al.* provide five guidelines for public servants seeking to assess the prudence of a public entrepreneurial venture, as a counterbalance to lengthy ethical statutes and detailed booklets from ethics commissions often getting mired in advising what one should not do, providing little useful advice regarding the best course of action in a difficult situation.<sup>69</sup>

- Seek justice under the law.
- Serve the public interest.
- Ensure thorough analysis.
- Act with compassion and empathy.
- Take personal responsibility for decisions.

## Accountability

The defenders of the traditional public administration paradigm may be willing to accept that government could benefit by employing the management techniques of business. Nevertheless, these defenders insist that the nature of government, particularly the nature of accountability in government, is fundamentally different from the nature of accountability in business.<sup>70</sup>

According to Terry, adapting the private sector concept of the entrepreneur to public administration is both “inappropriate” and “dangerous.” He argues that “we should abandon the misconceived quest to reconcile public entrepreneurship with democracy. Public entrepreneurs pose a serious threat to democracy because of the nagging accountability problem.”<sup>71</sup> Government must be accountable to the entire citizenry, not just to a select group of stakeholders. One important feature of this accountability is

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<sup>66</sup> See Frederickson (1997).

<sup>67</sup> See Cohen *et al.* (1999).

<sup>68</sup> See Cohen *et al.* (1999). In their *Effective Public Manager*, Cohen *et al.* even introduce “entrepreneurship as a professional value” if certain marginal values are fulfilled. (Cohen *et al.* 2002: 274-276).

<sup>69</sup> See Cohen *et al.* (2002: 233-235).

<sup>70</sup> See Behn (2001: Ch. 2).

<sup>71</sup> See Terry (1998).



fairness. Peters notes that: “The issue of equality raises important questions about accountability and the law. How can public management be both flexible and fair? Isn’t this why we have a government of laws (not men, or women)?”<sup>72</sup>

However, government is supposed not only to use money prudently and to treat everyone fairly; it is also supposed to accomplish public purposes. Moore emphasizes that all of the rules and procedures (even if followed) do not necessarily guarantee that government treats citizens fairly: “It is no longer clear that police organizations can be free of error, corruption, and brutality by applying tighter rules, closer supervision, and stricter penalties for misconduct. Indeed, this bureaucratic apparatus increasingly looks like an expensive way to produce the form but not the substance of a disciplined, effective force.”<sup>73</sup> Accountability for finances and accountability for fairness reflect concerns for *how* government does what it does. But according to Behn, we also should care *what* government does – what it actually accomplishes.<sup>74</sup> This requires a third kind of accountability – accountability for performance.<sup>75</sup> Here we talk about the *consequences* of government action.

In analyzing personnel systems, Romzek and Dubnick distinguish between those that are accountable and those that are flexible. “Certainly we need government’s personnel systems to be accountable for fairness. But why do we need them flexible? Because (presumably) if line managers have more flexibility, they will be able to employ and deploy people in a way that improves performance. Flexibility itself is not an important political or even managerial value; flexibility is important only to the extent that it helps produce better results. Indeed, If we want to hold public managers accountable for performance, we have to give them some flexibility.”<sup>76</sup>

Behn concludes his work on Democratic Accountability with the statement that adversarial accountability works too well. By “too well” he means “that our existing institutions of accountability not only overemphasize accountability for finance and fairness. They also undercut performance. Indeed they undercut the capacity of government’s productive units from achieving the results they were created to pursue.”<sup>77</sup> Our system of democratic accountability places too much emphasis on finances and fairness and not enough on performance – too much on rules and not enough on results. It also places too much emphasis on competition and not enough on cooperation. But to place more emphasis on accountability for performance, we need more cooperation. And to revolve such cooperation, we need to create mechanisms for evolving trust. We need to rethink what we mean by democratic accountability.”<sup>78</sup>

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<sup>72</sup> See Behn (2001: 34).

<sup>73</sup> See Moore (1994: 201).

<sup>74</sup> See Behn (2001: 10).

<sup>75</sup> Behn elaborates that some aspects of performance may concern process more than real performance: Was the public service provided promptly? Was the service provided courteously? These could be issues of fairness: Did some people get services that were more prompt or more courteous than others? (Behn, 2001: 227).

<sup>76</sup> See Behn (2001: 240) and Romzek (1994)

<sup>77</sup> See also Anechiarico *et al.*, who say that to an increasing extent, the laws and energy of federal, state, and local governments focus on the surveillance and control of officials rather than doing the business of government. (1996: XI and 176).

<sup>78</sup> See Behn (2001: 217).

## Productivity

Via *accountability* we reached the topic of *productivity*. Berman *et al.* define productivity as “a set of management practices and analytical techniques that aim at increasing the effective and efficient use of resources to produce outcomes.”<sup>79</sup> The idea that values and ethics are important in productivity – indeed, that they are central to goal setting and implementation – is according to Berman *et al.* not widely shared by scholars and practitioners in public administration. “The *engineering perspective* frequently takes productivity objectives as given, and identifies the most efficient ways of achieving these goals.” Berman *et al.* refer to Lewis, who argued that ethics are concerned with the rules and standards for determining what is “right” conduct and behavior.<sup>80</sup> According to Berman *et al.* ethics are involved in (1) determining how productivity objectives are established; and (2) determining how productivity improvement is implemented. Ethical reasoning is also involved (3) when managers must explain or justify the above decisions, for example, how they come to prioritize some objectives above others.

Berman argues that business techniques cannot be applied to public organizations in the same manner as in business.<sup>81</sup> Productivity tools are greatly influenced by the goals of public organizations, and productivity strategies must be adapted to the purpose and context of the public sector, and infused with values from this sector as well. Public organizations seek public rather than private goals, measure success by multiple rather than single standards (effectiveness, efficiency, fairness, and inclusiveness rather than profitability), and are subject to different constraints.

Elaborating on the definition of productivity given earlier, Berman defines *effectiveness* as the *level of outcomes*, for example, the numbers of arrest made by police officers. Some authors also distinguish between *outputs* and *outcomes*; outputs are immediate consequences of activities, and outcomes are related to long-term goals.<sup>82</sup> The distinction is relevant because organizations often have more control over outputs than over outcomes.<sup>83</sup> *Efficiency* is defined as the ratio of outcomes (and outputs) to inputs. It describes the cost per activity to achieve given outcomes. In the eyes of the public, effectiveness is more important than efficiency.<sup>84</sup> Indeed, many citizens are more concerned with the effectiveness of the emergency services than with their efficiency.

According to Berman public organizations often define productivity improvement in terms of effectiveness. This does not mean that efficiency is unimportant in public organizations. Moreover, efficient organizations stretch their resources further and thus can be more effective. However, there is consensus that efficiency is typically a more important goal in the profit sector, where success tends to be more singularly defined as profit.<sup>85</sup> Some business texts even define productivity *as* efficiency. Finally, public and business organizations also differ with regard to the extent that they value *equity* as an important goal. Profit organizations usually have very little commitment to equity, other than avoiding discrimination lawsuits from their employees or clients. By contrast, public

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<sup>79</sup> See Berman *et al.* (1999)

<sup>80</sup> See Lewis (1991).

<sup>81</sup> See Berman (1998: X-XI)

<sup>82</sup> See Rosen (1993)

<sup>83</sup> See Berman (1998: 6).

<sup>84</sup> See Berman (1998: 7).

<sup>85</sup> See Berman (1998: 7).

organizations often have great commitment to equity; they must provide services to all citizens, regardless of their ability to pay for them, and must ensure equal access to services. In figure 1, the importance of the different productivity values is summarized.

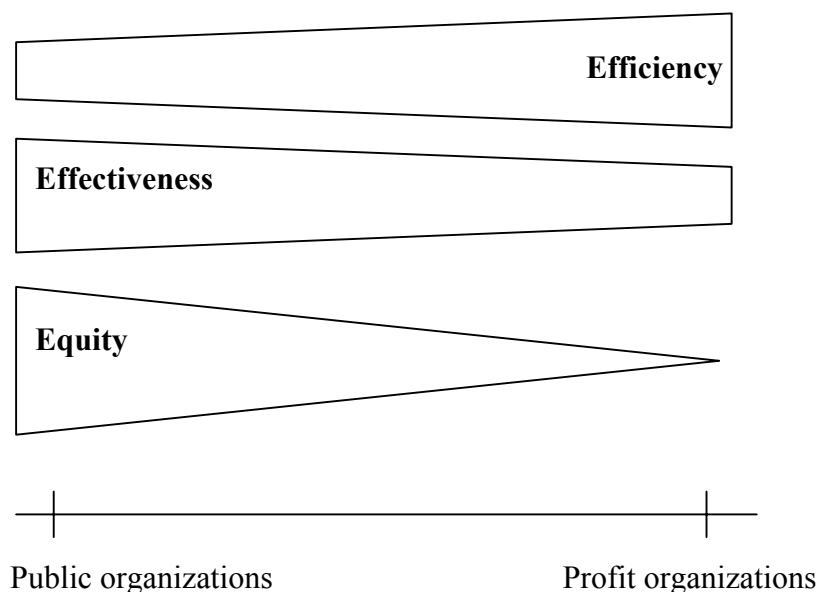


Fig. 1. *The importance of productivity values (derived from Berman (1998: 9).)*

Measurement is a foundation for productivity improvement. It is consistent with professional norms of accountability, openness, and maintaining high standards, and many organizations need managers and employees with the ability to measure program outcomes.<sup>86</sup>

The importance of ethics increases as productivity emphases shifts from program efficiency to increasing the effectiveness of services according to customer-defined standards and using empowered employees for that purpose. Berman argues that a major challenge for many organizations and managers is to increase the alignment of ethics and productivity improvement. Effective productivity improvement requires ethical behavior, ethical attitudes, ethical dialogue, and organizational policies and practices that are consistent with furthering ethics.<sup>87</sup> The objectives of productivity now emphasize effectiveness over efficiency (which is still relevant), and dependability and responsiveness over conformity to external standards.

These new values have consequences for ethical issues involving productivity. In the past many ethical issues focused on qualification factors for stakeholder participation in decision-making processes, and the importance of accountability to elected officials through processes of policy implementation and oversight. The new ethics issues concern a redistribution of power (leadership, oversight, and responsibility) among the partnership

<sup>86</sup> See Berman (1998: 51).

<sup>87</sup> See Berman (1998: 272).

of citizen-clients, elected officials, and public managers. Instilling trust and communication among participants in ways that are perceived as both fair and efficacious constitutes another important tool of (and challenge for) ethical management today.<sup>88</sup> More than before, productivity improvement requires values and ethics that are shared among different stakeholders, which brings us back to Behn's plea for cooperation and trust as a function of accountability.<sup>89</sup>

## Concluding

On the basis of the literature we can conclude that several aspects of New Public Management have never been well established in the Netherlands<sup>90</sup>. Another observation is that scholars do not agree about the intensity as well as the direction of the relationship between ethics and New Public Management.

The debate revolves mostly about the question if the values of public service have been influenced by the introduction of businesslike techniques and attitudes and if this, in itself, leads to integrity breaches like corruption.

Indeed, most of the warnings against introducing business values into the public sector deal with the increased risk of corruption. But corruption is not new. Bovens argued that the figures do not indicate an increase in corruption. And, like crime, corruption is of all times. Gardiner described long before the rise of New Public Management how corruption took over an American city, partly because malfunction of the bureaucratic system.<sup>91</sup>

A weak, fragmented political system with a modified commission form of government, limited state supervision of city affairs (for example: no civil service protection for police and inadequate bidding regulations), and nonenforcement of laws violated by organized crime were the main sources of the situation in this American city.<sup>92</sup> And indeed, the connection between police and corruption is proverbial if we only look at movie classics like *Surpico*, *Bad Cops*, and also the just released *Gangs of America*. All have little to do with NPM or Reinventing Government.

Another consideration is that even if values of public service have been changed towards businesslike values, there is no hard evidence that this automatically leads to less ethical performance.<sup>93</sup> One could at most argue that the introduction of businesslike values and/or techniques asks for guidelines for civil servants and public managers to enable them to take ethical decisions,<sup>94</sup> and for close cooperation with stakeholders and establishing mechanisms for evolving trust as a function of accountability.<sup>95</sup> A deficit in

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<sup>88</sup> See Berman *et al.* (1999).

<sup>89</sup> See Behn (2001: 217).

<sup>90</sup> See van Helden *et al.* (2003: 19) and Aardema (2002).

<sup>91</sup> See Gardiner (1970).

<sup>92</sup> When I discussed this book with John Gardiner during the preparations of the 5<sup>th</sup> International Anti Corruption Conference, he referred me to a book he used with his students to explain the concept of corruption. It was *Plunkitt of Tammany Hall*, describing New York State Senator George Washington Plunkitt's abuse of office in the late 19<sup>th</sup> century. Plunkitt described his corruptive practices himself as "*I seen my opportunities and I took 'em.*" (Riordon, 1963).

<sup>93</sup> See Lawton (1999: 69).

<sup>94</sup> See Cohen *et al.* (2002: 233-235).

<sup>95</sup> See Behn (2001: 217).

these kinds of guidelines and the understanding and use of them, combined with temptations caused by NPM-like opportunities, seem to be the main risks one should look for when researching the relationship between public integrity and NPM.

## Implications for research

In the empirical research that will be conducted in one of the 26 Dutch regional police forces during the fall of 2003, the relationship will be investigated between manifestations of the businesslike approach and integrity breaches. The manifestations of the businesslike approach will be researched by objective criteria to be tested through interviews and document review as well as by asking the personnel's attitude toward it by a written questionnaire. With respect to integrity breaches, personnel will be asked about their attitude towards them and about their actual knowledge with regard to the occurrence of these incidents. Here too, document review will provide additional information.

Guideline for our research with regard to businesslike approaches is the breakdown by topics as designed by Pollitt *et al.*,<sup>96</sup> combined with the five core principles of the NPM approach as distinguished by Hays and Kearney:<sup>97</sup> (1) downsizing – reducing the size of government; (2) managerialism – using business protocols in government; (3) decentralization – moving decision making closer to the service recipients; (4) debureaucratization – restructuring government to emphasize results rather than processes; and (5) privatization – directing the allocation of government goods and services to outside firms.<sup>98</sup> These two approaches are partly overlapping and partly supplementary. For the purpose of our research we will concentrate on:

- Privatization (also as a way of downsizing)
  - outsourcing
  - temporary employees (through commercial agencies)
  - public-private partnerships
- Decentralization
  - budgets
  - authorities
- Performance measurement
  - organization
  - employees
- The use of a planning and control cycle
  - output budget
  - performance indicators
  - use of performance information
- Personnel
  - evaluation

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<sup>96</sup> Pollitt *et al.* distinguish trajectories in *Finance, Personnel, Organization, and Performance* (Pollitt *et al.* (2000: 64).

<sup>97</sup> See Hays *et al.* (1997).

<sup>98</sup> See also Weikart (2001).

- remuneration
- promotion
- contract management
- Client/citizen orientation

All of the above elements fit in with Pollitt's aspects or with the principles as described by Hays and Kearney. However, the label may vary. One could place the *planning and control cycle* under Pollitt's aspect of *finance* but also under the Hays and Kearney principle of *managerialism*. And *performance measurement* could also find a place under the *planning and control cycle*, and so on. The final arrangement of the elements may be altered in the course of the empirical research, according to the outcomes. For the time being, this seems a workable format.

The elements of the businesslike approach will be correlated with breaches of integrity as distinguished by Huberts.<sup>99</sup> Huberts discerns:

- Corruption.
- Fraud and theft.
- Questionable promises or gifts.
- Conflict of interest.
- Abuse of information.
- Discrimination and intimidation.
- Abuse of power.
- Waste and failure.
- Misconduct at leisure.

After charting the (attitude toward) elements of the businesslike approach and the (attitude toward) integrity breaches and their correlations, we have to look for causal connections between the two, if any.

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<sup>99</sup> See Huberts (1998: 28-30.) Huberts' classification has subsequently been used by van den Heuvel *et al.* in research into the occurrence of integrity breaches in local government (van den Heuvel *et al.*, 1999) and into the implementation of integrity policies in local government (van den Heuvel *et al.*, 2003).

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