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## Essays on Practical Ethics

# In Search of Prudence: The Hidden Problem of Managerial Reform

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*This article argues that the concept of prudence can provide valuable insights into the problems of the New Public Management. Prudence, or practical wisdom, is the ability to make sound decisions under complex, ever-changeable conditions. Old-style bureaucracy severely limited the discretion of most administrators but preserved a site of true prudential judgment at the peak where discreet “mandarins” policed the boundary between politics and administration. The reforms that inaugurated New Public Management dismantled this site of prudence while simultaneously attempting, in effect, to disperse prudential judgment and action throughout the service. Though raising the problem of prudence, these reforms misconceived it as the problem of how to balance new freedoms with new controls to prevent abuse or folly. This essay argues that the introduction of market mechanisms, risk-management and cost-benefit techniques, ethics training, performance accountability, and calls to leadership were destined to fail because they misapprehended the problem of prudence.*

**P**rudence is the virtue of practical wisdom. A truly prudent person judges thoughtfully and acts decisively, reconciling the demands of the most important with those of the most pressing. Prudence is the preeminent virtue of active life and therefore of politics and government.

There has been renewed interest in recent years in the “forgotten” virtue of prudence and its role in politics and public policy (Anderson 1977; Beiner 1983; Bellah 1983; Connolly, Arkes, and Hammond 2000; Dobel 1998; Dunn 1990; Hammond 1996; Hariman and Beer 1999; Heineman et al. 1997; Jackson 1996). There has also been some recourse to prudence in the public administration literature. Rohr (1989) has devised exercises for developing the virtue of prudence among bureaucrats, though he chooses to employ the word *ethics* because of the “paltriness” of the contemporary usage of the term *prudence*. Edmondson (1998) gives some interesting and extensive real-life examples of both prudent and imprudent actions by American public servants. Hart (1984, 2001) insists

that management fads fail to endure because they overlook the most important element, namely, the character of managers, which, when good, reveals itself in “superior prudence.”<sup>1</sup>

In this article, we wish to support and extend this scholarship by interpreting modern bureaucratic reforms in light of what we call the *problem of prudence*. The worldwide reform movement of the 1990s devolved responsibility to all levels, thus increasing the risk of irresponsible decision making by public servants. It seemed that in order to avert recklessness, fraud, or folly, public sector employees must be encouraged to gain a more sophisticated appreciation of the ethical dimensions and consequences of their acts and omissions. A renovated ethics regime therefore emphasized individual character and demanded the internalization of ethical principles. Public conformity was no longer enough; personal engagement and even transformation were required, along with a developed capacity to judge well in complex situations.

What was, in effect, being demanded from public servants was prudence, though bureaucracies were unable to acknowledge it in those terms. Instead, they portrayed reform as a process of dismantling the logical structure of old-fashioned bureaucracy to give greater discretionary freedom to managers at all levels. Our argument is that the practical consequences of granting greater discretion have not been properly theorized or understood. The theories guiding reform were based on thin and rather ideological reasoning about their transferability from the private to the public sector. Entrepreneurship was considered good in the private sector, and therefore it should be encouraged in the public, and scant attention was paid to the grave risks involved in acting as an entrepreneur with public resources. Reform was held to be necessary, and any theory at hand was made to serve, however poor the fit. When one theory failed, others were applied in a spirit of equal bravado, creating waves of prescriptive change that were soon deprecated as merely faddish. We believe that these waves were

attempts, inevitably compromised, to solve the problem of prudence that had arisen by virtue of the original misperception.

At the core of this problem is the simple fact that discretion does not imply prudence, as freedom can be used imprudently. Reformers were, of course, intensely aware of this fact, and they found themselves trapped between the need to allow freedom for the sake of good decision making and the urge to control decision makers to prevent abuse or folly. Attempts to forestall the danger by imposing checks—legal, institutional, economic, and ethical—were really attempts to ensure prudent managerial action, but the result was merely to impose new constraints that often impeded rather than assisted good judgment. As the constraints grew, it became necessary to loosen somehow the institutional reins. The result was an uncertain oscillation between freedom and control, trust and distrust, among public managers who revealed and confirmed the central problem of prudence.

The failure to acknowledge the problem of prudence has resulted in theoretical and practical confusion.

Good government requires that decision makers, both high and low, demonstrate some degree of prudence. Achieving this desirable condition, however, has been thwarted by several factors: first, by the imposition of artificial external disciplines on decision making, such as those provided by a market, real or simulated; second, by a general technocratic approach to decision making that is the antithesis of prudence; and third, by attempts to approach the problem in a counterproductive, piecemeal fashion that has emphasized some elements of prudence while overlooking others.

To make our argument, we begin by contrasting narrow modern formulations of prudence with Aristotle's more comprehensive concept of *phronesis*, or practical wisdom. Turning to Weber's analysis of bureaucracy, we argue that modern bureaucracy sought to solve the problem of prudence by substituting the instrumentality of rational-legal structures, though it retained a necessary site of genuine prudence at the highest levels of the public service. We then examine how managerialist reforms dismantled these sites of prudence in order to make public service heads more amenable to control while paradoxically extending (in effect) the demand for prudence down through the ranks of middle and lower management. We illustrate how waves of reform that sought both to confer and constrain discretion are best interpreted as attempts to approximate real prudence and why they were bound to fail. We conclude by drawing these themes together to argue the

theoretical and practical importance of introducing the concept of prudence into public management.

### What Is Prudence?

The history of prudence—from Aristotelian *phronesis* (practical wisdom) to Latin *prudencia* to Machiavellian *virtù* and thus to our own concept—has, according to the literature, been one of sad decline. In the modern era, Adam Smith described prudence as a virtue relating to the proper care of an individual's health, fortune, rank, and reputation; it was the parsimonious virtue of the sound banker that commanded "a certain cold esteem" but was not entitled to "any very ardent love or admiration" (Smith 1853, 6, 14). In the work of Immanuel Kant, prudence lost its status as a virtue altogether and became wholly identified with cautionary self-interest. Prudence could be no part of morality because, according to the Kantian view, moral reason excluded an individual's actual inclination or advantage. One did right when, by an act of pure will, one imposed a rational moral law on oneself even against personal desire or advantage. Indeed, moral action was considered more meritorious when inclination was strongly opposed. Such impersonal moral laws

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could be deduced from pure reason and thus were necessary in themselves and universally applicable to all rational individuals in any possible situation. They enabled a person to know the right thing to do quite independently of any empirical experience and also independently of particular circumstances or likely consequences. Prudence might counsel that telling a lie was

forgivable, even necessary, on occasions when the consequences of truth telling appeared grim, but the moral law forbade lying in *any* circumstance (Kant 1909).

Nothing could be further from the classical virtue of practical wisdom, developed by Aristotle in his *Ethics* (Aristotle 1985, book 6).<sup>2</sup> For Aristotle, practical wisdom was an accomplishment of a character that had been molded by habit, wise mentorship, and broad experience. It was demonstrable only in the concrete judgments made by an intelligent individual acting in specific circumstances. It was never the simple application of impersonal, universal, and certain laws. Mathematical science might lend itself to certainty, but practical life was characterized by mutability and restless change. No two real-life situations were ever quite identical, and therefore the application of an invariable rule was inappropriate, not to say rather stupid. In any given circumstance, the best decision inevitably took into account the applicable rules, principles, and conventions, as well as the sensitivities and interests of the people affected, but could not be defined by any of these. Dealing effectively

with the challenges presented by ever-changing circumstances required the ability to judge particular situations on their individual merits and a capacity to act accordingly. This did not, of course, exclude intelligent generalization. Experience taught that, although life was forever contingent, it was not absolutely so. General lessons could be drawn that the prudent person could apply thoughtfully—never mechanically or peremptorily—to particular cases (Aristotle 1985, 1141, b15).

Practical wisdom, therefore, implied intellectual capacity but, for Aristotle, it also implied virtue. Indeed, he held that *phronesis* encompassed *all* the virtues: courage, temperance, generosity, magnanimity, mildness, humor, and truthfulness. Practical wisdom was, in other words, a matter of personal character—specifically, a character that had been habituated to virtue and tempered by long and wide experience. It implied an attitude quite distinct from the habitual parsimony and caution that are usually associated with prudence. Though wisdom may indeed counsel caution in certain situations, it was likely to demand bold action in others. The ability to discern the difference was a matter of virtue. Virtues were states or dispositions of the soul that became activated in actions toward the truly best or most appropriate ends according to wise judgments of contingent necessities (Aristotle 1985, 1143, b25). Practical wisdom was impossible without this virtuous orientation, which was why prudence became a part of the Aristotelian ethics (*ethos* meaning precisely “character”). It was an ethics that was less concerned with averting intentional wrongdoing than with discerning the appropriate means to genuinely good ends.

If the question “good for whom?” were asked, Aristotle’s answer would be, in the first instance, for prudent persons themselves. This does not imply, however, a narrow individualism. Aristotle held that all human action aimed at the individual’s good or well-being, but he was not a modern individualist (Aristotle 1985, 1140, a27). He asserted that “while it is satisfactory to acquire and preserve the good even for an individual, it is finer and more divine to acquire and preserve it for a people and for cities” (Aristotle 1985, 1094, b9). The liberal night-watchman state, which exists solely so that its members might safely pursue their individualistic goals, would have seemed inadequate to him, and in fact, he explicitly rejected such a conception in his most famous work, *The Politics*. For Aristotle, man was *zoon politikon*—a political animal—that is, a naturally social being who could find complete human fulfillment only in the active life made possible by the developed polity (Aristotle 1905, 1253, a2). Practical wisdom, therefore, had to be applied beyond the personal to economics, legislation, and politics, both deliberative and judicial. This was why Aristotle thought ethics a necessary foundation for prudence

and political science, which he considered the highest practical knowledge because it necessarily subsumed all the other sciences concerned with action that aimed at the general good: military science, economic science, and rhetoric.

In contradistinction to the Kantian view, then, Aristotelian ethics emphasized the particular rather than the universal, the education of inclination rather than its willful overriding, discretionary judgment rather than obstinate rectitude, and personal character rather than impersonal laws. Aristotle was not, of course, against laws as such—indeed, he believed that laws that had lasted a long time must have done so because of their inherent wisdom (though even these had to be applied to particular cases with discretionary care). But laws, justly imposed by a polity for the sake of order and efficiency and backed by sanctions to ensure compliance, were necessarily external to the person. Ethics, in contrast, could not be a matter of the imposition—not even self-imposition—of laws on potentially errant and willful characters. The central ethical question was how a person might develop interior habits of virtue conducive to living the good life (good in the broad sense of “fully satisfying” rather than just morally good). Once the Kantian definition of morality as rational law was established, however, the distinction between law and ethics became radically attenuated, if not altogether lost.

Many contemporary theorists have argued that much else was lost in the occlusion of virtue ethics and the consequent downgrading of prudence (Den Uyl 1991; Dunne 1997; Gadamer 1975; MacIntyre 1984; Nussbaum 1986; Zagzebski 1996). Their central claim is that there has been a general loss of real understanding about what it means to act appropriately and effectively in any area of life.<sup>3</sup> Yet if we turn to the question of public administration, we can see that a Kantian view of rule-ordered behavior has proved very appealing in dealing with the problem of prudence in government.

### Weber and Prudence

Max Weber was the first great anatomist, though hardly an apologist, of the rational-technological tendency of modern government (Weber 1991, 196–252). This tendency was nowhere more clearly evidenced than in all that is encompassed by the term *bureaucracy*. The growth of bureaucracies turned the administrative apparatus of government into a huge machine whose operations aimed at efficiency and whose outputs aimed at predictability and control. The interlocking and hierarchically arranged offices of the bureaucracy were as functionally distinct as the processes of any mass production factory and possessed as little independence of action and decision. They were, in a sense, the concrete realization of the Kantian view of virtue. Bureaucratic virtue consisted

of always acting in conformity with specified rules that were rationally ordered on the basis of technical knowledge so as to maximize efficiency: “Bureaucratic administration means fundamentally the exercise of control on the basis of knowledge. This is the feature of it which makes it specifically rational” (Weber 1947, 339). Such bureaucratic machines had nothing to do intrinsically with democratic government—indeed, they were based on the example of military organizations. Their ultimate origin lay in the desire of absolute monarchs to ensure the efficient translation of their untrammled political wills into practical reality. Thus, bureaucratic action was quite deliberately intended to confine and limit prudence within the narrowest scope. Bureaucratic government established a decisive separation between the field of politics and the field of administration that hitherto had not been clearly distinguished in practice. The former became the province of policy or legislation, the latter a purely instrumental and technical means for its implementation and administration.

Whether the will of the ruler was informed by practical wisdom was always open to question and a matter of chance. In absolutist systems, progressive citizens had to hope for the emergence of a suitably enlightened despot.<sup>4</sup> Liberal democracies, being grounded in popular sovereignty, of course presumed that legitimacy was more fundamental than mere legality (Burke 1986). Moreover, the traditions of deliberation among democratic representatives preserved some faith in the possibility of regular prudential judgment by governments. Structurally, though, the division between the political realm and the instrumental bureaucratic realm was maintained. The Northcote-Trevelyan reforms in 19th-century Britain replaced the traditional amateurism and cronyism in administration with an impersonal, professional bureaucracy. The importance of maintaining a clear distinction between professional bureaucratic administrators and policy makers in a democracy was later taken up by Woodrow Wilson (1887; see also Denhardt 1993). Public decisions were the rightful prerogative of democratically elected representatives. The legitimate actions of appointed bureaucratic administrators were restricted, by and large, to carrying out those decisions as faithfully as possible. Bureaucracies were (at least in intention) instruments of an authoritative will. The difference was that in democracies, they were specifically theorized as neutral instruments capable of serving one party as well as another in deference to the people’s democratically expressed preference.

Despite this instrumentality (or rather, to make it effective), there nevertheless existed significant space for prudential reasoning in bureaucracy, particularly in its peak positions. With administration fully professionalized, merit allegedly recognized and rewarded, lifetime career structures in place, and career bureau-

crats honored, the administrative heads of great departments—and of the service as a whole—became important and influential (though seldom publicly known) figures. They formed a new elite corps recruited from the best and brightest, often educated in prestigious schools that were specifically geared toward bureaucratic training. Once at the top of the administrative hierarchy, career bureaucrats found themselves strategically located at the critical boundary between politics and administration, a boundary they were careful both to preserve and to police. Possessing an intimate knowledge of all formal and informal aspects of the bureaucracy, the so-called mandarins were also familiar with the needs, habits, and aims of policy makers at the highest level. Given their advisory functions and security of tenure, these permanent chieftains of the civil service were in a unique (and uniquely secure) position to influence the shape and direction of almost all public policy. It was a role that required the highest experience, the most sensitive alertness to political currents, the utmost discretion, and the most delicate judgment—in other words, the highest prudence. It was little wonder that the best examples of this nonpartisan (but hardly apolitical) breed were often credited with being the real authors and guardians of good long-term governance (see Dale 1941; Fry 2000; O’Halpin 1989).<sup>5</sup>

### **Bureaucratic Reforms and Prudence**

Too often, such prudence seemed to exist in bureaucracies despite rather than because of the inherent rationality of their organization. It is interesting to look back at the good intentions of the Northcote-Trevelyan recommendations and note how radically they were subverted in their implementation. Their emphasis on selection and promotion based on proven merit provided a recipe for an active bureaucracy that encouraged prudence. The actual entrenchment of seniority systems—the cardinal sin for Northcote and Trevelyan (1954, 4)—in the administrations of many democratic countries ensured that bureaucracies were soon characterized as sclerotic, inefficient, and process-obsessed organizations.<sup>6</sup> Likewise, in his famous essay “The Study of Administration” (1887), Woodrow Wilson envisioned a cultured, self-sufficient civil service capable of acting with sense and vigor, but one rendered immune from arbitrariness by virtue of its intimate connection with popular opinion. Despite such intentions, by the second half of the 20th century, American bureaucracies were being characterized as bloated, unbalanced, and oppressive of the public they were meant to serve. Critics alleged that they were driven not by public interest but by the self-interest of empire-building bureaucrats who were competing with other bureaucrats for scarce resources (Downs 1967; Niskanen 1973).

It was not surprising, then, that critiques of such bureaucracies played a substantial role in the reform of

the old public administration in line with theories of New Public Management (NPM). The causes of NPM are not clear-cut. It is true that governments wished to restructure their bureaucracies in light of fiscal austerity—for example, New Zealand launched its 1984 reform program during an acute economic crisis. Yet the Finnish public management reforms of 1989, as well as President Bill Clinton's National Performance Review in 1992, were implemented when their economies were buoyant. It is tempting to describe NPM as a "new right," neoconservative measure, evidenced by the enthusiastic NPM reforms undertaken by Margaret Thatcher (United Kingdom), Ronald Reagan (United States), and Brian Mulroney (Canada). But some of the most radical NPM initiatives were launched by social democratic or labor governments, especially in Australia and New Zealand (Pollitt and Bouckaert 2000). What we can say with confidence is that NPM ideas, which were promoted by national governments (notably the United Kingdom and the United States) and international organizations (such as the Organisation for Economic Co-operation and Development and the World Bank), had popular support because they promised to save money and allow politicians greater control of bureaucracies (Pollitt 2003, 37). Indeed, it was an irony of the reform movement—one central to the problem of prudence—that the liberation of management was undertaken largely for the sake of increased political control. Governments, faced with fiscal constraint and rising public demand, sought to reassert their authority over administrations that had allegedly become laws unto themselves (Dunleavy 1992; Niskanen 1973).

In broad terms, NPM emphasized a shift from inputs and processes to outputs and outcomes; more measurement and quantification; a preference for specialized, "flat," and autonomous organizational structures; the substitution of contractual for hierarchical relationships; market-type mechanisms for the delivery of public goods; and a consumer and individual orientation (Pollitt 2003, 27–8). In the interests of political control, the power of the senior public service was decisively undermined. The old sites of practical wisdom in the higher reaches of the service were abolished by removing tenure and introducing fixed-term, performance-based contracts for senior public servants. It was ironic that this move should be widely characterized as "politicizing" the bureaucracy. A study of the "mandarin cadre" of Whitehall after the advent of Margaret Thatcher's conservative government in 1979 (when the modern reform process was initiated in Britain) showed that senior bureaucrats had, in fact, become more "politically passive" as they moved away from policy formulation and advice to focus on efficiency and costs of service delivery—in other words, to efficient management (Richards 1997, 235–37; 2000, 115). But the so-called politicization

was not just a matter of blurring the boundary by making senior servants more dependent on partisan politicians. Rather, the old way of conceptualizing the boundary between political and administrative spheres no longer made sense once the capacities and qualities that were appropriate to the political sphere were expected of the service at all levels.

In the interest of greater responsiveness to public demands and more effective outcomes for tax revenues spent, governments sought a new type of public servant. Instead of strict obedience to rules and the commands of superiors, new qualities were sought: flexibility, innovation, entrepreneurialism, the capacity for independent and discretionary judgment, ethical competence, policy awareness, sensitivity to political factors, and the ability to manage and lead rather than merely administer. What was demanded in actuality (though it was not conceived in this way) was the exercise of prudence throughout the entire service. Once the old straitjacket of rules had been loosened, however, the problem of prudence immediately asserted itself on a grand scale. How was government to ensure that discretionary powers would not be abused or misused to the embarrassment of politicians? How could freedom be granted while control was retained? The answer was to supplement greater discretion with new and different forms of discipline that would limit freedom or direct it into virtuous channels. These disciplines were, in effect, attempted substitutes for genuine prudence in public servants.

### **Approximations of Prudence I: Budgeting, Risk, and Markets**

Under the new order, managers were given discretion to choose from whom and where to purchase services and how to restructure and improve the services they provided themselves. At the same time, the traditional lines of accountability were blurred or complicated by a looser hierarchical structure and by demands that public servants take more control of budgets, be more directly responsive to the public, have a better grasp of their role in policy processes, and practice routine identification of policy "stakeholders" to conduct extensive internal and external (public) consultation. Managers at all levels were to be left free to manage, to be risk-taking entrepreneurial innovators who would find new and better (and cheaper) ways of doing old things. They were granted this wider discretion in the hope of improving services and outcomes.

Yet the proper use of such elaborate discretion required a well-developed prudence. This problem was implicitly addressed in a number of ways, for example, in the budgetary processes of program management (which, though they long preceded NPM, became an intrinsic part of it). Though they were intended as a means of efficiently achieving planned outcomes, budgetary reporting mechanisms became a new

means of scrutiny, accountability, and potentially, punishment.<sup>7</sup> Yet budgetary reporting could be effectively manipulated (as public servants quickly realized), and performance indicators could always be designed to ensure the appearance of success and to avoid penalty. The ease of avoiding such constraints, however, raised the possibility of embarrassingly imprudent judgments, especially when managers were being urged to be risk takers. It was only dimly recognized that risk taking in the public sector had quite different connotations and consequences from risk taking in the private, but it was hoped that the direst consequences could be avoided if public managers were well versed in the craft of risk analysis and management (Berman and West 1998; Bozeman and Kingsley 1998). This was really no more than an attempt to check discretion through technocratic (statistical and actuarial) principles. But these could, at best, only approximate prudence and, at worst, were mere camouflage for indifferent, perhaps imprudent decisions based on concealed, nontechnical premises.

Resort to technocratic principles was, in fact, an omnipresent feature of managerialism. The scientific problem-solving approach, sometimes called the “engineering model” (Bulmer 1990), had fueled grand postwar hopes of more rational policy solutions to enduring social problems. The model came in various forms, but it always consisted of logical stages: the clear identification of a problem, research to gain knowledge of the nature and causes of the problem, rational deliberation about alternative solutions, cost-benefit analysis, and the choice of an alternative that emerged superior based on the data so formed. Yet this rationalistic approach had long been criticized as inherently flawed. Bulmer, for example, argued that the use of knowledge (sociological in his case) is seldom simple and direct because the way a “problem” is conceived and knowledge of how to solve it cannot be clearly separated. Moreover, what counts as “knowledge” in a particular area is often merely received wisdom filtered through social and political channels from various sources—wisdom that is likely to be challenged at any time as research moves on.<sup>8</sup> Nevertheless, the technocratic approach was seen as one means of introducing rational order into the new freedom accorded public servants. Its seductiveness was that it promised to remove most of the dangers of partial, errant, or intuitive judgment by individuals. It appealed to managers who, burdened with new responsibilities for various aspects of policy, eagerly sought some means of neutralizing what they soon saw was the normal chaos of the policy process. Yet, as we have suggested, technical solutions merely concealed beneath their rationalistic form certain prior, nontechnical judgments on such matters as which issues to address, how to define them, which alternatives to admit, and which criteria to use to measure

costs, benefits, and risks (Formaini 1990; Hammond 1996, 294–326; Self 1975, 178–87).

When purely technical solutions ran afoul of complex political reality, as they invariably did, they were supplemented by a demand for extensive public consultation. Consultation ranged from informing the public to soliciting actual public participation whereby citizens could directly engage in the decision-making process (OECD 2001; Ranson and Stewart 1994). Such exposure to multivariate interests and opinions was expected to accommodate or placate conflicting forces and thus facilitate broad acceptance of decisions made on properly technical grounds (Lowndes, Pratchett, and Stoker 2001a, 2001b). Consultation became a means of conducting the politics of decision making, though it was seldom recognized as such and, in fact, was often confused with an extension of democratic deliberation beyond the bounds of representative government (Kane and Bishop 2002). Yet even here, the need for properly prudential judgment could not be avoided—for example, in making decisions about whom and when to consult, how long and how extensively to consult, and so on.<sup>9</sup>

A different method of limiting the new freedom was to rely on Adam Smith’s “invisible hand”—in other words, on markets. Markets, it was assumed, were rational (if not prudent) in allocating resources automatically and efficiently.<sup>10</sup> The use of market or quasi-market mechanisms was, of course, a key element of NPM, manifested in the redefinition of citizens as *customers* or *clients*, the use of private sector techniques such as total quality management to improve service quality, and the introduction of business terms such as *internal market*, *joint venture*, *user charge*, *partnership*, *contracting out*, and *corporatization*. The wholesale adoption of business nomenclature and techniques was founded on the assumption that private sector management was intrinsically superior to the dull routines of public administration (e.g., Al Gore’s 1997 booklet, *Businesslike Government: Lessons Learned from America’s Best Companies*). The ideological enthusiasm for market-driven management was based on an anticipated transformation of hidebound administrators into dynamic entrepreneurs (Osborne and Gaebler 1992). Yet liberated managers faced a significant new constraint: In place of rules and procedures, they found themselves under the allegedly more effective discipline of the market. The whole or partial outsourcing of services, for example, was intended to provide effective competition and an independent check on individual discretion. The commercialization of exchanges within the bureaucracy on a “user pays” principle was meant to have the same disciplinary effect on decision making by forcing managers to take account of the full cost of their inputs (O’Faircheallaigh, Wanna, and Weller 1999, 67).

The reality, however, was that for most internal workings of the public service, the invisible hand could be merely simulated, at best, and thus was a poor disciplinarian. Worse, there were definite limitations on the market's power to secure automatic and efficient allocations in a public environment in which successful outcomes could not be measured by either outputs or profitability.<sup>11</sup> The introduction of the "triple bottom line" (economic, social, environmental) for assessing objectives and outcomes was sensible in these circumstances, but there could be neither technical nor market-like answers to the problem of how to balance the three criteria in any particular policy area. A reasonable balance could be achieved only through the exercise of fine prudential judgment within an inherently political process.

### Approximations of Prudence II: Ethics and Leadership

After the late 19th century, the ethical nature of public administration was simply taken for granted as embedded within the very idea of a neutral, instrumental public sector serving a constitutional democracy. The ethical demands placed on the average public servant were hardly onerous, however, amounting to little more than doing one's designated work (presumed to require decisions of a purely technical or procedural nature) and keeping one's nose clean. If ethical imagination was expected at all, it was only at the upper levels of the service, where policy advisory roles encountered the executive decision-making process. After World War II and until the 1980s, a more realistic model recognized the practical inseparability of political and administrative roles. In the 1980s, one offshoot of this was the frank advocacy among some scholars of an active, politically engaged administration (Heymann 1987). The more usual attitude throughout the period, however, was to cautiously admit a limited administrative responsibility, still largely at the top, that approved "the appropriate and modest use of significant discretion" (Van Wart 2003, 223). Terry Cooper's seminal book *The Responsible Administrator*, first published in 1983, stressed the importance of a virtue ethics of self-mastery for people bearing discretionary responsibility and can be seen as emblematic of this era (Cooper 1998).

The worldwide reform movement of the 1990s, however, ordained greater discretion at all levels and thus an increase in individual responsibility throughout the service. This inevitably carried the risk of greater discretionary *irresponsibility*, a result that some believed was practically guaranteed by the managerialist ethos. Larry Terry (1993) argued that the emphasis on general risk taking for the sake of results could be seen as

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constituting an "entrepreneurial ethic" whose values were quite at odds with older ones and perhaps contradicted the values of constitutional democracy itself. In addition to the danger of constitutionally inappropriate behavior, the reforms introduced greater opportunities for straightforward criminal conduct. The involvement of public servants in processes of contracting out and tendering, for example, enlarged the potential for corruption, fraud, and waste.

Whether the main risk was seen as recklessness, fraud, or folly, it seemed that discretion had to be made safer by encouraging a more sophisticated appreciation among public sector workers of the ethical dimensions and consequences of their acts or omissions. Legislated ethical principles, codes of conduct, ethics units, and ethics training programs were instituted everywhere (Kernaghan 2003). An "applied ethics industry" arose to serve the needs of the new public sector, and the volume of work on public sector ethics grew (Berman, West, and Bonczek 1998; Chapman 1993; Cooper 1991, 2001; Frederickson 1993; Gawthrop 1998a; Gortner 1991; Rohr 1998; Van Wart 1998).

Some writers resisted the new entrepreneurial ethic (at least in its more gung-ho manifestations)—as Van Wart put it, "Entrepreneurial behavior cannot be blithely endorsed when public administrators are entrusted with the authority of the state" (2003, 224). Yet most wanted to move beyond the old bureaucratic regime, which emphasized behavioral compliance with externally imposed rules and superior orders. Gawthrop criticized mere adherence to procedural correctness as denoting a hollow, quasi-ethical life that produced a "government of persons without fault, operating in a society without judgment, through the administration of a constitution without purpose" (1998b, 139). Similarly, Behn (1998) argued that the source of pernicious bureaucratic power lay precisely in the ability to refuse to exercise initiative by hiding behind rules and legality. To escape this inertial weight, a renovated ethics regime emphasized individual character and demanded the internalization of ethical principles. It required not just public conformity but personal engagement, even transformation, and a developed capacity to judge ethically in complex situations.

The stress on sound character to ensure good judgment inevitably recalled the concept of practical wisdom. Of course, prudence, as we have described it, addresses *all* aspects of a decision, not just what today is commonly called the *ethical*. It is notable that the best work in the field accepted this by stressing the complex nature of practical judgment in a constitutionally defined public

sector. Van Wart, for example, noted the inseparability of managerial, ethical, and political values and asserted that managers inevitably make decisions on “a single set of values that blends all three simultaneously” (1998, viii). The general tendency of ethics training in public organizations, however, was to deal with the ethical as a distinguishable dimension that might sometimes (or often) be in conflict with the purely practical. This may have been because managerial rhetoric, intellectually founded on an assumption of the ubiquity of a very narrow kind of self-interest, ran directly counter to attempts to foster virtuous character among employees. In this environment, ethics could hardly seem other than a gratuitous add-on rather than an integral part of existing practices. This defensive separating out of the ethical was both symptomatic of the unrecognized problem of prudence and a confirmation of the inadequacy of piecemeal solutions (Fleishman, Liebman, and Moore 1981; Nielsen and Patten 1982).

Hard on the heels of the ethics movement—and in many ways reproducing its concerns—came a movement to encourage leadership among public managers. It was recognized that ethical conduct, responsibility, and bold decision making could hardly be expected at the lower levels if it were not in evidence at the higher. There must be leaders who would lead by example, which meant that middle and upper management had to clearly exhibit a certain range of qualities. Leadership discourse, moreover, confirmed the larger discretion vested in public managers, as leadership inevitably means the freedom to forsake the faithful observance of prescribed duties and move in new directions.

The idea of public sector leadership was not unprecedented (see, e.g., Selznick 1957). Some questions about leadership necessarily attended the long-running debate over administrative discretion, but attention to the subject was inevitably boosted by the introduction of the concept of the entrepreneurial administrator (Bellone and Goerl 1992; Doig and Hargrove 1987; Lewis 1980; for a general overview, see Van Wart 2003). The whole point of the reform movement was to transform the public sector into a radically different and more dynamic kind of organization than had previously existed, so James MacGregor Burns’s idea of visionary *transformational leadership* (as opposed to everyday *transactional leadership*) acquired particular significance (Burns 1978, 2003). This concept had already come to dominate a voluminous leadership literature addressed to the private sector, which, since the economic shocks of the 1970s, had been undergoing a transformation of its own. It was natural that reformist public sector managers and scholars would turn to this literature given the paucity of material addressing administrative leadership, but the move also seemed justified given

the reigning assumption that there was no essential difference between private and public management.<sup>12</sup>

There was, in fact, limited inquiry or debate about what kind of leadership could be safely adapted to the public sector. Terry (1995) was one exception, arguing that public leadership must occur in the “conservator” mode, not the entrepreneurial. Drawing on the work of Selznick (1957) and Rohr (1989), among others, Terry attempted to define a concept of administrative leadership that was consistent with constitutional tradition and fostered the sort of statesmanship that Edmund Burke had described as a “disposition to preserve and an ability to improve.” Conservatorship required “professional expertise, political skill, and a sophisticated understanding of what it means to be an active participant in governance” (Terry 1995, 25, 172). Terry was concerned that entrepreneurial leadership, inspired by economic and public choice theories emphasizing the primacy of self-interest, had no room for a genuine concept of public interest and thus would contribute to public anxiety about bureaucratic power (Terry 1998, 200).

In our view, Terry was concerned that a philosophy of individual self-interest, combined with a license to pursue innovative, risk-averse strategies, was a recipe for public recklessness rather than responsible leadership. Again, we would argue that what was being expressed here was a desire that public leaders be genuinely prudential. The classical idea of practical wisdom presumed that a mature understanding of one’s real self-interest was inseparable from an appreciation of the wider social and political responsibilities that a person possessed by virtue of his or her capacity and position. We have noted that prudence, by its nature, implies different actions in different contexts. In the public sector, it surely implies a special sensitivity to the constraints imposed by a unique environment. The prudent public sector leader is, in fact, unlikely to be the visionary, “boldly going” type who stalks so much of the literature but, more commonly, the discreet and pragmatic kind whose leadership may scarcely be noticed by those whom he or she influences. Despite the rhetoric of modern reform, public servants remain the *servants* of political masters—ultimately, of public and constitutional norms—and their practical choices are therefore inevitably more closely circumscribed than those of private agents. Prudent public managers understand that they have stricter limitations imposed on their actions than private sector leaders. They inhabit and must act within a complex political and legal environment in which failures or missteps, even slight ones, can have immense political consequences.

Even so, it is well to recall that Hamlet, after chiding the excesses of overblown actors, added, “Be not too tame neither, but let your own discretion be your

tutor.” The prudent public sector manager does not let omnipresent constraints become a reason for timidity or inaction. Certainly the public sector remains, and will remain, far more rule bound and legalized than the private sector. If managers are to safely navigate the web of rules, they will need to be acutely sensitive to this fact. Because their work is in the nature of a public trust, and their positions are defined within a structure of democratic political authority, the legitimacy of any actions that managers may take is always far more open to challenge than those of their private sector counterparts. Prudent public managers are those who are nonetheless capable of acting and leading effectively without endangering this legitimacy.

A useful illustration is provided by the work of Eileen Clausen in the U.S. Environmental Protection Agency, who, according to Norma Riccucci, exemplifies administrative excellence (Riccucci 2000, 20–21). Clausen had a central role in negotiating and renegotiating the Montreal Protocol on curbing the production of CFCs, and later she took very large steps to preserve the effect of this agreement when the Reagan administration became intent on watering it down. Through an effective political contest with an executive to whom she was theoretically subservient, Clausen defended the legitimacy of her actions by leaning on the established mission of the agency and by pointing to the fact that the United States (along with 23 other nations) had agreed to the protocol. She eventually gained Reagan’s formal backing for an official signing-off on the agreement, proving that prudential administrative action, though sensible of the contextual limits on authority, is also vigorously bold when necessary. As Behn (1998) argues, public sector managers are in a position to take up leadership roles when no one else can, especially when, in a fragmented governmental system, legislative, judicial, and political failures are all too common. They can and must do so without usurping the democratic prerogative or exercising administrative tyranny.

### **Conclusion: Prudence and Public Management**

Pollitt and Bouckaert, in their book *Public Sector Reform* (2000), note that managerial reforms have been marked by a number of apparently contradictory aims: to increase political control over bureaucracy *and* to free managers to manage (while simultaneously empowering service consumers); to promote flexibility and innovation *and* to increase citizen trust and governmental legitimacy; to give priority to savings *and* to improve performance; to make government more responsible *and* to reduce the range of tasks that government undertakes. We argue that, although these aims can be rendered noncontradictory under certain combinations of circumstances, such combinations seldom occur.<sup>13</sup>

A classical understanding of prudence, whose richer significations have been lost in the modern reduction

of the concept to self-interest and rule following, helps us understand what would be required to achieve such diverse and potentially conflicting aims. We have attempted to retrieve the Aristotelian idea of prudence or *phronesis* as something much larger than simple rule application (though prudence inevitably takes rules, principles, and conventions into account). Prudence combines intellectual capacity with all the virtues (including moderation, courage, and wisdom) to accommodate, affect, and even reconcile what is highest with the inevitable demands of the specific and contingent. Prudence is necessary in private life and essential in public life. We have claimed that employing this lens of prudence allows us to gain greater clarity and a better understanding of not only the contradictory and sometimes faddish aspects of managerial reform but also the underlying demands made on public managers.

Prudence helps us understand the attempts that have been instigated to reform bureaucracy. Our claim has been that all of these reforms implicitly acknowledge the central need for prudence in public management, though they do not, of course, define it in those terms. Rather, they deploy various freedoms or discretions that are simultaneously countered or limited in order to approximate (or simulate) prudential judgment and action. This insight allows us to view prudence in traditional bureaucracy as discretion checked by laws. It also accounts for attempts to reform the traditional model of bureaucracy by extending traditional discretions (in the hope of promoting prudence) while altering the “checking” element, replacing or augmenting laws with institutions, the market, ethics, and so on. The reforms that attempted to implement effective administrative actions and decisions could not be expected to succeed in their loftiest aims, we argue, because their theoretical foundations neglected the importance of prudence in public management.

The scholarship evaluating the New Public Management confirms this expectation. Pollitt and Bouckaert provide a report card on the achievements of managerialist reform across 10 countries until 2000. Their sobering conclusion is that the rhetoric of reform far outweighs its reality in terms of incontestable evidence of improvement, and the gap between the view from the top and the experience at the grassroots is often so wide as to provoke skepticism or even cynicism. They note an undeniable dimension of fashion or fad in the worldwide adoption of reforms deemed progressive or the “in thing.” They argue that, “within this managerialist thought-world there is only limited consciousness of the flimsiness of many of the current ‘principles’ of good public management” (Pollitt and Bouckaert 2000, 190).

Nevertheless, these authors close with an observation that the rhetoric of reform and the real loosening of

the old ways has allowed public servants at all levels to grasp the opportunity of making local changes that make sense *to them*. Such micro-improvements reveal that conscientious, intelligent people, when given the leeway to act, often tend to act prudently. The larger question is, what would a public sector look like that positively encouraged prudence throughout its structure rather than accidentally permitting it? It is important to recognize that prudent judgment and action already occur across the public sector; if it did not, bureaucracies would be in a far greater state of crisis than they are now. It is difficult to acknowledge such action, however, in the language of the New Public Management. The measures that we have called approximations of prudence—budgetary reporting, risk management, market mechanisms, performance indicators, technical-rational approaches to policy, ethical analysis, entrepreneurial leadership, and so on—only work, when they work at all, if prudently applied. Too often, however, reform results in little more than a superficial adherence to fashionable languages and forms that overlay actual work practices, whether good or bad. The latter proceed somewhat secretly and perhaps shamefacedly on principles that are generally impossible to acknowledge in the new language. Conscientious public servants often operate effectively and achieve results—in other words, act prudently—in *spite of* rather than because of the latest reforming prescriptions. To be able to speak plainly in the mode of prudence, therefore, would be to introduce greater honesty into the service and perhaps prompt more realistic standards for evaluating programs and actions.

Clearly, an organization that fosters prudence will be as conscious of the dangers of institutional sclerosis as the instability of overly disruptive change. But such an organization is crucially dependent on the merits of its personnel and the qualities it seeks and fosters in them. For the public sector, the problem of prudence is, in the end, a problem of whom to trust (and how far) with discretionary responsibility in a unique and challenging environment. This is a question that can be answered only through familiarity with individuals and experience of their character and ability as revealed in responsible action. What is required is a conscious and concerted attempt to foster and encourage practical wisdom from the very start of the recruitment process through the placement and promotion of prudent and dedicated individuals (Fleishman, Liebman, and Moore 1981).<sup>14</sup> But such an organization is impossible if it does not foster a real commitment to a truly professional public sector.

Peters and Wright (1996) note that the old public service, for all the critiques made of it, was at least informed by a consistent set of ideas that proved their utility over time. These ideas created an organization with an ethos of service oriented to the public interest. It was also an organization with a clear idea of the limits of its role, providing the means for linking bureaucracy and democracy more clearly than contemporary characterizations. But modern reformers, having changed the basis of the old ethos without replacing it, now have cause to lament the loss of commitment that has resulted. As Peters and Wright note, “It is . . . not too much of an overstatement to say that the New Public Management is not a theory in any meaningful sense of the term. It does not provide a coherent and integrated set of propositions about running the public sector, but rather appears to generate ‘principles’ that are compatible with the political thinking of the day” (1996, 639).

Yet it would be a mistake to indulge in too much nostalgia for bureaucracies whose sins were not wholly a figment of the imagination of public choice theorists. As we have noted, few scholars critical of New Public Management would advocate a wholesale return to the ways of old bureaucracy. The fostering of blind obedience, aggressive passivity, and bureaucratic inflexibility do not make for intelligent administration. New Public Management’s vision of a more dynamic and productive public service is not inherently flawed, any more than the idea that public servants should be capable of initiative beyond the mere exercise of official discretion when clear alternatives present themselves (Behn 1998). Nor is it absurd to imagine that such an organization can be properly conscious of and constrained by the constitutional order of which it forms such a vital part.

An administration that endorses prudence requires the reconstruction of an ethos in which the public sector is honored as a distinctive realm that is dedicated to the very best public service and in which public servants are honored for their role in providing such service. Such an ethos will encourage the recruitment of public-spirited and able people whose understanding of the role of the prudential public servant will be furthered through education that encompasses not just managerial technique but also liberal democratic traditions, constitutional governance, and a realistic appreciation of the broadly political nature of all administration. Real examples of good administrative decision and action are essential to this educative process, revealing the complexities and conundrums

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that frequently confront public servants and the firmness of judgment needed to lead appropriate action in individual cases. Such examples will reveal what is (or ought to be) at the heart of public management—prudence.

### Acknowledgments

This research was supported by a grant from the Institute of Public Administration Australia and the University of Canberra Public Administration Research Trust Fund. We would like to thank Evert Lindquist and the anonymous referees for their comments, as well as Marina Cominos for research assistance.

### Notes

1. See also Callahan and Jennings (1983), Dobel (1990), Dunn (1986), Goldhamer (1978), Goodin (1982), Iannone (1994), and Vickers (1983).
2. All citations refer to the Bekker references of the *Nicomachean Ethics* from the 1985 translation by Terrence Irwin.
3. A particular target of those seeking to reinstate the virtue of prudence is the modern propensity to substitute technique for genuine judgment—thus the abstract, neutral, and procedural locutions current in bureaucratic scholarship: “decision maker” and “decision making.”
4. Rational-legal structures were also useful to despots, enlightened or not, because public respect for law tended to mean that the regular use of legal forms by itself conferred legitimacy. Thus, as an extreme but telling example, the Nazi state could turn mass murder into a regular duty that mundane functionaries could perform as an ordinary job simply through the bureaucratic routinization of the processes of extermination (Arendt 1986, 429, 437).
5. For a useful biographical and analytical account of such “mandarins,” compare Theakston (2000) with Rhodes and Weller (2001).
6. See, for example, the bestseller by Osborne and Gaebler, *Reinventing Government* (1992), which helped inspire President Clinton’s National Performance Review. Of course, such a view of bureaucracy tended to disregard the extensive variety of organizational forms that characterized bureaucracy in the Western European and North American states and discounted the considerable advantages of bureaucracy (Du Gay 2000; Pollitt 2003, 32–35).
7. For a history of budgeting reforms, including performance budgeting in the 1950s, program budgeting in the 1960s, zero-based budgeting in the 1970s, automatic control budgeting in the 1980s, and entrepreneurial budgeting in the 1990s, see Cothran (1993).
8. Bulmer (1990) pictured the model as comprising five stages: (1) define a social problem, (2) identify gaps in knowledge, (3) acquire relevant social research data, (4) interpret data to solve the problem, (5) shape or reshape the policy accordingly. For the impact of scientific and social scientific knowledge on governments, see Bulmer (1982); for country studies, see Barker and Peters (1992). Other studies have shown that governments, for their own political ends, often ignore expert advice they have themselves solicited while using the processes of information gathering to legitimate their own preferred solutions (Peters and Barker 1993). Recent disputes over the use of intelligence during the lead-up to the Iraq war have dramatized this propensity.
9. We would argue that the theory of representative bureaucracy, which maintains that bureaucratic power can be made more responsive to the public if the personnel who staff administrative agencies reflect the demographic characteristics of the public they serve, suffers from identical difficulties (see Sowa and Selden 2003). In representative bureaucracy, administrative discretion counterbalanced with mirror representation becomes the approximation of prudence.
10. The importance of market models in administrative reform is evident in the Public Service 2000 program in Canada, Next Steps in the United Kingdom, Renewal of the Public Service in France, the Financial Management Improvement Program in Australia, the Administrative Management Project in Austria, the Modernization Program for the Public Sector in Denmark, and the Major Options Plan in Portugal (Haque 2001, 65; OECD 1993). For recent evaluations of these reforms in Australia, Britain, the Netherlands, and New Zealand, see Considine and Lewis (2003).
11. The outsourcing of formerly public responsibilities was criticized on the grounds of inefficiency, as well as its distortion of the distinction between public and private (e.g., Gillroy and Wade 1992; Haque 2001).
12. Was this judgment correct? Could leadership in the public sector really be the same as that in the private, particularly with regard to its entrepreneurial aspects? Could one rely on models of leadership drawn from a literature geared to dynamic private sector chief executive officers? For a discussion of these questions, see DuBrin (2001), Onsmann (2002), Parry (1996), and Robbins et al. (2001).
13. For example, they note that there is no *fundamental* contradiction between innovation on the one hand and maintaining the stability and continuity that public legitimacy requires on the other; indeed, innovation may sometimes be necessary to maintain continuity. Yet there are many contexts in which managers face a trade-off between innovation and such public

values as stability, continuity, predictability, trust, and equity. Such contexts confront public service managers with difficult problems of balancing divergent desiderata and possibly disadvantaging certain sectors of the community, even if an improved service is supplied to others (Pollitt and Bouckaert 2000, 159). Needed here, of course, are the fine-grained political judgments and actions we associate with prudence.

14. It may not be possible to teach prudence, and indeed virtue generally, the way one instructs in mathematics (see Plato's *Meno* and Klein 1965), but it is clear that prudence may be fostered and encouraged, especially by allowing able individuals greater scope to exercise this virtue.

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