

The New Public Management and Its Discontents

Abstract

Current motivational problems of public servants, especially loss of the meaning of work, can no longer be explained by insufficient skills of managers. In order to conceive the dynamics of organizations, the instrumental approach prevailing in management and administration studies should be enlarged by the principal themes of autonomy-dependence, effort-reward balance and the relationship between identity and work.

The New Public Management (NPM) has been introduced everywhere as a compromise between reduced budgets and increasing demand to produce more with less at the expense of the employees. It shifts accountability from politicians to civil servants. It promises rewards for higher public servants, more responsibility without empowerment for their staff. NPM reforms consist in part of redefining organizations and tasks to boost managerial identity and to lessen professional autonomy.

The reforms have been justified by prevention of rent-seeking of employees, but as a matter of fact the NPM has made the problem worse by creating an audit and quality assurance bureaucracy that drains resources from the core work into self-referential paperwork to justify the bureaucrats' own existence. For this reason, employees try to maintain their integrity by distancing themselves mentally from their re-defined work. They thus further endanger their experience of self-efficacy, the most precious intrinsic reward for professionals. Money payment in the public sector cannot compensate for the lost meaning of work. In its process-industry emphasis on efficiency, measured in units per hour, the Neotaylorist revolution in professionals' work has produced less effectiveness, measured by predictable and accessible services of quality. Many experts on productivity are suspicious also of the alleged economic gains from these NPM reforms.

The NPM can hardly be rescued by further increasing levels of centralized control but by accepting the fact that development of services cannot succeed by driving professionals onto defensive. Instead, they should be allowed to concentrate on their work and develop it from the bottom up, incrementally, taking into account their tacit knowledge and contextual constraints. They are motivated to improve their work in order to improve their self-efficacy, when the fruits of their increased productivity are not entirely expropriated. The task of managers is to guarantee predictable conditions for meaningful work instead of making external factors the main issue preoccupying the minds of the staff and distracting their attention from their productive core work.

Introduction

New Public Management means the transfer of business and market principles and management techniques from the private into the public sector. According to a neoliberal understanding of society and economy, the NPM tries to slim the state and introduce market discipline into its remaining functions. It shares with the standard textbook economy the basic assumption that people try to maximize their profit and everything can be quantified.¹

¹ Drechsler (2005).

Not assuming the instrumental approach of administration studies, I consider the basic assumptions of the NPM from the point of view of their actual impact in various cases. Instead of comparing more closely development in one specific area I will focus on the contradictions in motivation and self-control, which may be repeated in various fields of the public services. Even though not all the claims of NPM can be falsified on the basis of these instances, at least some doubt is cast on its main justification: the claim to bring about increasing productivity with less input. The evidence for counterproductive effects grows even more coherent in the framework of behavioral economics.

More with less

The concept of *homo oeconomicus* has provided the impetus for a neoliberal moral revolution against democracy. According to neoliberal reformers, collective action and provisions represent wishful thinking and moral escapism. They enable shelter citizens from the consequences of their own actions, engendering a corrosive culture of guilt, pervaded by a familiar rhetoric of caring, compassion, and consensus. Nietzsche once called guilt internalization "slave morality." The Neoliberals' quest was nothing less than changing "the entire culture of nation from anti-profit, anti-business, government-dependent lassitude and defeatism, into a pro-profit, pro-business, robustly independent vigour and optimism", according to Nigel Lawson.² Many neoliberal reformers believed that they alone were fighting for enduring moral verities based on the laws of evolution against the self-indulgence of the "swollen" nanny state. "Where competition and entrepreneurship rule, there productivity is also increased", says the chief Finnish Trade and Industry Ministry in rejecting the proposals for an increase in the staff for the social and health care sector.³ He expresses succinctly the basic assumption of the highest tiers of leading public servants without regard to political background.

For marketizers, public professionals are rent-seekers: they are constantly trying to force the price of their labor above its market value. The service ethic is a rhetorical device to resist attempt to make professionals accountable. Public professionals have their vested interests in monopolistic cartels whose real purpose is to rip off the consumers (a realistic name for citizens, because their only driving force is utility maximization). "Public servants cannot be trusted to give their best. They are inherently untrustworthy. If they are allowed autonomy, they will abuse it. Like everyone else, they can be motivated only by sticks and carrots. If possible, privatization must expose them to the sticks and carrots of mar-

² Marquand (2004), p. 104f.

³ *Suomen Kuvalehti* 10/2007: "Virtasen ristiretki" (Kustaa Hulkko).

ket competition. If not, they must be kept on their toes by repeated audits, assessments and appraisals."⁴

The motive to punish common people for their wasteful life has often been stated by US Neoconservatives.⁵ Consequently, at least one of the unconscious reasons for New Public Management might have been to channel social envy against a "privileged" group of employees, away from the winners of the Raw Deal of the neoliberal economy since the 1980s. I have compared this with the Chinese Cultural Revolution of 1966 to 1971, as Mao Zedong established his dictatorial position by mobilizing the red guards against bureaucrats, teachers, and artists and to destroy the remaining independence of institutions which in his opinion had prevented the total mobilization for national competitiveness.

The explicit aim of the NPM reforms has been to "starve the beast" of the swollen public sector⁶, living parasitically at the cost of "productive" export industries, and render impossible the alleged "rent seeking" by public servants protected by natural monopolies of services that the private companies had not been able to provide profitably. But the blind spot of Neoliberals is that private masters of market and delivery chains may also build up monopolies and constrain competition for the advantage to consumers and taxpayers. Privatization has not eliminated the problem of increasing costs. US health care wastes money more than the European systems but its efficacy and coverage both are worse. The current reimbursement paradigm of public and private insurance companies does not necessarily encourage hospitals to provide quality at low pay. "For most consumers, the fact that there is no connection between quality and cost is one of the dirty secrets of medicine", says Peter V. Lee, the chief executive of the Pacific Business Group of Health, a California group of employers that provides health care coverage for workers.⁷ Private charter schools fare no better with unselected students, quite the opposite: Real estate prices rise in the best public school districts.⁸ The efficacy of resourced public schools has not prevented a crusade against the Teachers Union: Teachers' tenure and flat pay is blamed for the fact that they protect teachers from market pressures and thus prevent US children from getting the best education that parents can demand.

Another psychological factor is at work, as well: the double bind between increasing expectations and diminishing resources. The power of national governments to tax capital assets and capital incomes has fallen, and running fiscal deficits to expand aggregate demand has become more expensive due to tax competi-

⁴ Marquand (2004), p. 3, 72, 98, 110-111, 118.

⁵ Lakoff (2002).

⁶ Romer & Romer (2007).

⁷ *New York Times* 14. 6. 2007: "In Health Care, Cost Isn't Proof of High Quality" (Reed Abelson).

⁸ *New York Times* 27. 8. 2006: "Exploding the Charter School Myth".

tion.⁹ The crisis of economic growth since the 1970s has initiated a shift from Keynesian producer-group appeasement and high taxes into supply-side economics with balanced budgets, hard currency, and price stability encouraging investors. The heroic era of welfare states from 1945 through 1974 is over; big new programs are not introduced, but the old actually downsized in the name of streamlining. Revolutionizing of the universalistic welfare state into a residualistic market state follows the logic of redistribution for the benefit of the biggest private interests at the cost of citizens. This has been enforced by the OECD with the support of local technocratic elites. Citizens themselves have never voted for the rolling back of welfare states. In Finland, reforms have in the most striking way ignored opinions in survey, according to which universal welfare services are endorsed by 80 percent, and citizens supported more taxes to retain them. In the eyes of citizens, erosion of public services is eroding the legitimacy of the system. Retrenchment of services has aroused opposition everywhere, and this explains the popularity of the New Public Management among politicians.¹⁰ Politics has turned into adapting people to market demands.¹¹

The politicians have tried to distance themselves from the ailing services by blaming public servants for the expenditure problem and the legitimacy problem. Decentralizing devices such as frame budgeting (Sweden, Finland) or delegation to provincial or regional tiers of government (Canada, USA) have shuffled off the pain of prioritizations and funding cuts from elected politicians to local administration or "accountable" professionals. More and more sophisticated performance indicators and targets have centralized the remaining money while decentralizing responsibility.¹² The NPM specifically returns decision-making to the allegedly expertbureaucrat or consultant, therefore removing control from politicians.¹³

Focus has been shifted from tax evasion onto the alleged "fat" in services and alleged rent-seeking by "parasitic" public servants at the cost of the private economy that supposedly alone produces new resources. Christopher Pollitt and Geert Bouckaert put it succinctly: "...when the power of individual governments to act independently is increasingly called into question by a complex interplay of local, national and international constraints, the one thing the ministers actually *can* do – with an appearance of dynamism but at little immediate cost –, is to announce changes in their own machinery of governance". "...there has been more

⁹ OECD (1997), p. 211.

¹⁰ Harrinvirta (2000); cf. Pollitt & Bouckaert (2000), p. 144, 147.

¹¹ Marquand (2004), p. 127f.

¹² Pollitt & Bouckaert (2000), pp. 134-140.

¹³ Wright (1997), p. 11; Drechsler (2005).

'hype' about administrative change, in more countries, more-or-less simultaneously, than ever before."¹⁴

The NPM promises both budget cuts and improved services putting the costs on the shoulders of public servants. Its triumph in its mother country has endured political landslides from Thatcherite to Blairian governments, without basic revisions.¹⁵ The NPM has been the most successful export article of Great Britain – export financial services. In Britain and elsewhere, the NPM has infiltrated managerial elites and all those groups of politicians eager to present themselves as economic experts instead of as irresponsible populists.

Leena Eräsaari cannot understand this epidemic without the concept of fashion by Georg Simmel. Fashion as form of conspicuous consumption serves more a person's status distinction than practical needs. John C. Clarke and Janet Newman have stated the metaphor of travel in the list presenting the ruptures in administrative practices: from producer-centeredness into user-centeredness, from monopolies into a market direction, from compulsion into free choice, from uniformity into plurality, from a dependency culture into promotion of independence.¹⁶ The reform is usually depicted as starting from a "bloated, wasteful and ineffective" bureaucracy with its rules, regulations, and fixed spheres of competence under the pressure of the "rapidly-changing, information-rich, knowledge-intensive society and economy of the 1990s".¹⁷ These dichotomies ignore such smaller achievements as the universalism of the Scandinavian public services and the individual care based on equality. Continuity, honesty, and high commitment by professionals remain unnoticed, as well.¹⁸ The root metaphor, the travel from darkness into light, needs clear contrasts.

Whereas neoliberal economics is self-referential in explaining its dysfunctions as imperfect implementation of natural truths, the NPM ideology is also impenetrable to empirical evidence as to its counter-productive effects on public services. Its self-confirming, circular framework of concepts remains untainted by details that may affect its vision. An "up to date" argument renders any opposition powerless. Business Process Re-engineering has been widely promoted.¹⁹

¹⁴ Pollitt & Bouckaert (2000), p. 6, 24.

¹⁵ Minogue (1988), p. 141f; Marquand (2004), pp. 88-105, 118.

¹⁶ Clarke & Newman (1997), p. 65.

¹⁷ Osborne & Gaebler (1992), p. 11f.

¹⁸ Pollitt & Bouckaert (2000), p. 60.

¹⁹ *ibid.*, p. 31, 112.

Mania vs. depression

High-level managers make us believe that they possess universally valid knowledge about organizational cooperation, but as a matter of fact, their evidence-based best method seems to be "hit-and-miss." As a matter of fact, they lack the expertise on which they have based their legitimacy. While the foundations of task-oriented, rational authority are shaky at best, positional authority has to be boosted with management myths eagerly sold by consulting companies. Most courses in management – with its shifting fashions and slogans – are needed first and foremost for the continuity and coherence of managerial identity.²⁰ In the myth perspective, public managers imitate private sector rituals to raise their own credibility.²¹ Within the relevant community of discourse, the assumption has spread that some signal phrases such as "project management," "flat hierarchies," "customer orientation," "abolition of career civil service," and "contracting out" are progress. To be progressive one has to be seen to be doing things to which these particular labels can be stuck. Generic micro-economic approaches such as Management by Objectives, Total Quality Management, Benchmarking and Business Process Re-engineering have been widely promoted. "Privatization," "agencification," "contractualization," "continuous quality improvement," "efficiency gains," "activity costing," and "performance management" belong to the international lexicon of the administrative *avant-garde*.²²

NPM is usually considered as a means to produce cheaper, more efficient government, with user-responsive services and more effective programs, to enhance political control and free managers to manage disregarding bureaucratic constraints and making government more transparent. New Public Management is a symptom of technocratic omnipotence fantasy, wishful thinking, in which contradictions do not exclude each other: If public servants are subjected to more effective control, can we simultaneously expect more flexibility and empowerment from them? In practice, tightening up on one criterion implies slackening on another; one can seldom save money and improve quality at the same time.²³

The NPM really has empowered *hauts fonctionnaires* while disempowering professionals, institutions, and municipalities.²⁴ I have compared the division of up-beat optimism among the senior public servants and depressive fatalism among their staff with bipolar mental disorder, in which the opposite positions are

²⁰ Pattinson (1997).

²¹ Sahlin-Andersson (2001).

²² Pollitt & Bouckaert (2000), p. 31, 112.

²³ Hood (1991), p. 16; Dunshire (1993), p. 29.

²⁴ Marquand (2004), pp. 110-115, 119, 121; Webster (2002), p. 141.

occupied and acted out by different members of the same group. Managers now define themselves as a dynamic force of change, contrasted with the older form of administration according to rules and semi-autonomous turfs for specialists. Senior civil servants can now distance themselves from operational problems by decentralization and adopt the higher-status role of strategists and institutional re-designers, whereas junior and middle level officials find that the reforms mean heightened job insecurity, a need to learn new skills, and a more intense work load. Restructuring organizations, creating strategies, launching quality improvement initiatives, measuring, evaluating, and auditing the performance of others belong to "meta-management," while the staff must carry out the plans and achieve the targets set. But the zeal for administrative reforms mysteriously stops at reformers' door. Public sector organizations have to count costs, measure outputs, assess outcomes, and use all this information in a systematic process of continuous improvement. These requirements have not been applied to the reforms themselves.²⁵

The heads of the department report steady progress; everything is under control and remaining issues are being addressed. Management consultants praise future models that will solve everything, if the progressives get the upper hand over those exercising resistance. They can beat off "competition" and enhance the quasi-market image of their sectors while ignoring the deliverance of stable and predictable services for citizens – the core goal of the whole system.

Managers can easily believe that processes proceed and services improve in pace with the reports and statistics they oblige their staff to produce. "Can-do" chief executives have replaced cautious mandarins knowing the limitations of administration and the inherent trade-offs of the system. Organizational memory has shortened. The conventional wisdom of the past must be forgotten in managerial re-engineering of services, and the tacit knowledge of the rank and file along with it. "One-best-wayism" does not acknowledge the variety of milieux most of the public sector. One model fits all, making it unnecessary to understand problems from the employees' point of view. The much-eulogized tacit knowledge of professionals in the implementation of reforms has been ignored.²⁶ The alienation of leading managers from the concerns of their subordinates is not aided by the fact that they more and more earn a private sector-comparable salary, while the pay of the staff is held back by freezing the annual adjustments and making any increases dependent on assumption of extra responsibilities.

²⁵ Dunleavy (1991); Rouban (1995); Wright (1997), pp. 8-10; Pollit & Bouckaert (2000), pp. 13-20, 26, 55, 131f, 141, 182f.

²⁶ Hammer & Champy (1995), p. 49, 218f; Peters (1996); Dunn & Miller (2007), p. 355.

For the rank and file, conditions of service have approached private sector with reduced security of tenure and performance auditing in addition to legal and procedural scrutiny. The "privileges" had to be brought in line with the majority to reduce waste and activate servants by hiring temps and paying them individually and performance-related. More outputs should be obtained for the same or less input.²⁷

"Professional practices are necessarily opaque, even mysterious, to those outside the profession concerned: Professionals are people who have mastered demanding practices which outsiders have not mastered. By definition, then, external audit cannot judge the quality of professional performance in the way that members of the relevant profession would do: only teachers know what it is to be a good teacher. Once professionals were subjected to external audit, they had to adapt their practices to the demands of the audit process, just as managers in the old Soviet Union had to adapt theirs to the demands of Gosplan. Little by little, they began to lose the autonomy which is fundamental to professionalism. In the process, the professional ethic, which presupposes professional autonomy, lost meaning, while the trust relationships between professionals and clients were endangered. The more professionals were audited, the less professional they were able to be." In universities, schools, hospitals, and social service departments, crude performance indicators, simplistic league tables, and centrally imposed targets narrow the scope of professional judgement.²⁸ Instead, the employees have to invest more and more in the mechanism of compliance and be more and more preoccupied with the auditing process and time-consuming preparations for regular audits than with the substance of activities.²⁹

Flexible government has been opposed to the rigidities and conservatism attributed to permanent organizations and tenured careers. According to reformers, it should be replaced with a "temporary state," consisting of projects and teams to address the most salient issues in a rapidly-changing society – of course, working in flex-spaces instead of closed private offices.³⁰ As a matter of fact, short-term pilot projects, often EU-funded, have replaced long-term services, in Finland most strikingly in public child psychiatry. These projects bring about plans for planning, and the papers neither care for nor cure anyone.

Long-term services have been fragmented, as basic needs are covered with short-term projects.³¹ Consequently, the problems dealt with by three year EU projects or Finnish gambling-monopoly funding are defined as provisory. Quite

²⁷ Shergold (1997), p. 33; Pollitt & Bouckaert (2000), pp. 69-77, 99-115.

²⁸ Marquand (2004), p. 111, 124-125.

²⁹ Power (1994), p. 48f.

³⁰ Peters (1996).

³¹ Rantala & Sulkunen (2006).

the opposite occurs: When treatment remains superficial and accidental, the problems of child protection, mental health or long-term unemployment grow more complicated and chronic.³² According to a report by the Finnish Social and Health Care Ministry, the social and health sector received funding 630 projects between 2003 and 2005.

"Deprivilegisation" and upheaval of autonomous institutions have gone farthest in the UK, Australia, and New Zealand and most sparingly in EU, Germany, and France following Rechtsstaat tradition; Scandinavian countries hover in between, with performance-related pay, result-orientation, and decentralization and moderation in privatizing. Finland and Sweden have reduced public spending but tried to modernize, still appealing to traditional public service values such as probity, equity, and equality.³³ In the USA, Republican governments have tried to minimize the state and maximize the market, but there the gap between rhetoric and achievements has opened widest measured in the proportional size of public spending, the most obvious result being the ailing infrastructure³⁴ and progressive privatization of the traditional violence monopoly of the state.³⁵

In order to spread market mechanisms and exert personalized pressure on public services, hierarchical relationships have been packaged into quasi-contracts, where the former "subordinate," now as an "agent," agrees to supply the boss, now called a "principal," with a defined set of outputs within a fixed time period at a predetermined cost. Decentralization of responsibility has been accompanied by the centralization of resource allocation and surveillance into the ministry of finance. Performance-indicators, such as hospital waiting lists, school exam results, and crime clear-up rates, have been taken as criteria for resource allocation and individual rewards.³⁶

Inherent contradictions

Christopher Hood³⁷ finds ten inherent contradictions among NPM goals, but these can be clustered into some basic dimensions.

Increase the political control of the bureaucracy vs. to liberate managers to manage and empower service consumers. No clear, mutually congruent targets exists, rather wishful thinking about reconciliation of opposites on a higher level. Leaders do not prioritize goals but fuel feelings of insufficiency among their mid-

³² Möttönen & Niemelä (2005).

³³ Pollitt & Bouckaert (2000), p. 180.

³⁴ Flynn (2007).

³⁵ *The Nation* 2. 4. 2007: "Bush's Shadow Army" (Jeremy Scahill).

³⁶ Pollitt & Bouckaert (2000), pp. 76-94; Carter (1998), p. 177.

³⁷ Hood (1998).

dle management and employees. *Reduce the burden of internal scrutiny and associated paperwork vs. sharpen managerial responsibility.* The audit explosion resulting from indirect supervision by the state has been a compromise between the avoidance of political responsibility and tightening control.³⁸ Every reform requires different indicators and annual reviews. Trade-offs between costly, complex systems of reporting or light systems which do not catch the subtleties and games of the area, have alternated.

Promote flexibility and innovation vs. increase citizen trust/government legitimacy. Reforms have promised better, client-centered services but as a matter of fact they have been dictated by ongoing budget cuts, thus minimizing contact between service-providers and clients. Public reforms produce constant change instead of stabilizing the structures of everyday life in the midst of market risks. The target to *"responsibilize" government* contradicts the aim to *reduce the range of tasks that government is involved with.* Governments sell their family silver too cheaply in privatizations and then renounce any responsibility for business logic of the privatized units, cutting staff and services. The targets of *creating more single-purpose agencies and decentralizing managerial authority* stand in contradiction with *improving horizontal program co-ordination.* Partnerships, task squads, tsars have flourished remembering about the war economy of Nazi Germany with its organizational chaos and Darwinian struggle for survival of the fittest among program leaders.³⁹ Overlapping target areas may produce competition but also waste.

Devolution and fragmentation of the public sector into single-purpose silos producing quantified performances and ignoring the common goal has compelled and the negative feedback from Anglo-Saxon trailblazers of NPM have compelled politicians to fear that they more and more will be accountable for things they no longer have any influence upon, as they have given over their regulatory power to private companies and regulatory agencies. Global problems of climate change and sub-national wars demand more global coordination and governance. "Super-networks," "circuit-breaker teams," and "tsars" have been invented to recreate cohesion, and written ethical standards proliferate because of the reported corrosion of loyalty and mistrust.⁴⁰ To remove the reported shortcomings of the British National Health Service (NHS) during their quasi-market reform, Tony Blair's Labour government replaced competition by cooperation. Market pressure was compensated for by control agencies generating reports on quality, and contestability devices for grading hospitals such as the star grading, upon which the resourcing of a provider and the fate of individual managers became dependent.

³⁸ Power (1997), p. 11; Clarke & Newman (1997), p. 82.

³⁹ Broszat (1969).

⁴⁰ Christensen & Laegreid (2007); Hood & Lodge (2006); Gregory (2006); Halligan (2006).

Control then triumphed over both competition and cooperation: Managers were not willing to share their best practices with peers to whom they will be compared, and extra hours of work were paid only in private practice outside the NHS. Thus, the reform did not deliver more by way of efficiency gains than did its predecessor, despite increased funding. The basic contradiction between the double-binds of health care professionals' motivation remained unresolved.⁴¹

Common good is evoked by means of new slogans and moral persuasion after having first created a system of incentives that obliges each agency to maximize its own profit and compete for "investments". Thus, reforms that reform reforms treat effects rather than the cause.⁴² Declarations of values often reflect the fact that core values are missing.

Pollitt and Bouckaert consider to be self-defeating the combination of an attempt at *motivating staff and promoting cultural change* with the simultaneous tendency to *weaken tenure and downsize*. Repeated downsizings destroy confidence and commitment and any public service ethic among employees, leading to a "hollowed-out" and ultimately less competent form of government. *Increase effectiveness vs. emphasize managerial accountability*. Employee and citizen participation are promoted by the reformers not so much for the sake of democratic governance but to exert pressure to do more with less, with no consideration of the ends. Optimizing the input-output ratio favors efficiency as a goal in itself instead of effectiveness (getting things accomplished) – which cannot be quantified.⁴³ *Improve quality vs. cut costs* fuels statistical distraction. It sounds euphemistic to "improve quality" by reducing eligibility for benefits.

Measurable cost-efficiency is produced in the Finnish Social Services by self-service by means of standardized forms and problems. Inegalitarian effects of back-of-office automatization show how innovations have rigidized services. Filling in a form or describing one's symptoms presuppose that clients who often are excluded from the mainstream society due to their lack of capacity to symbolize but act instead, would suddenly be able to write down what they feel. If this were the case, the very problem of exclusion and the vicious circle of diminishing alternatives, insecurity, and social vulnerability would lose its significance. Sakari Hänninen suggests that failure of communication does not prevent the system from producing the desired results: those needing help should compete to get help or at least to have an opportunity to meet with a social worker face-to-face; and if they fail, they do not deserve the scarce resources of society. The social problem of exclusion will be redefined as an issue of natural selection: when everyone has gotten his/her equal chance, society has fulfilled its responsibilities.

⁴¹ LeGrand (2002).

⁴² Gregory (2006).

⁴³ Stone (2002).

More and more potential clients will be placed in the containers where losers are no longer resourced like normal citizens but stored only with the minimum needed for physical existence.⁴⁴ This mechanism of the privatization of problems instead of providing universal social rights for everyone, as was the Scandinavian ideal between 1960 and 1990, corresponds nicely to the labor market's selection of the fittest.

When productivity is measured by numerical units produced by a given input of hours or money, it does not exactly capture the products of health and social care. The cult of efficiency now prevailing in public management ignores the clients' subjective experiences. According to the founder of public choice theory, J. M. Buchanan, real choices can be based only on subjective preferences of individuals; no objective standard of measurement can replace them. But efficiency as the highest value is devoid of any substance. A factory producing only one-leg shoes may be productive. Patients are unique, not standardized mass products, the costs of which could be compared as identical. Any improvement results from complicated processes exceeding organizational boundaries and chains. In the public sector, the greatest part of costs consists of salaries. Consequently, increasing productivity means more patients, students or clients handled per case or day by fewer staff.⁴⁵

Payment by personal appraisal of individual results promotes further silo thinking: producing particular numbers – completed consultant episodes – at the cost of the common goal. Cream-skimming is the best way to gather numbers: handle only easy clients and let the others struggle with the complicated cases.⁴⁶

In the wishful world of plastic abstractions, floating, up-beat proclamations, and fashionable abbreviations for new initiatives in the higher tiers of administration, these goals are compatible. In reality, unresolved structural contradictions become psychological tensions in individual employees trying to balance their needs in order to belong and to defend their individual interests for the balance of giving and taking.

Public servants have traditionally been more committed to the qualitative substance of their tasks as a way to actualize their personalities than to financial, measurable results. Pollitt and Bouckaert consider the contradiction between the goal of increasing efficiency with reduced resources to be unsolvable, to be comparable to an attempt to "empower" Christmas turkeys to rejoice as Christmas approaches.

⁴⁴ Hänninen et al. (2007).

⁴⁵ Silvennoinen-Nuora (2006).

⁴⁶ Mental health nurses MP, JJ, MR to the chairmen of Tehy, JHL, and Super trade unions, Nov. 27, 2007; Julkunen (2006), pp. 99-103.

For the audit, not for life!

If the professionals can neither fulfill their own goals nor accomplish their service work properly, they will be unwilling to fulfill their managers' dreams of the corporate culture. The western middle-class norm nowadays is an expansive, growing self⁴⁷: perfection of oneself by creative self-actualization and accumulating resources as instruments for later mental perfection. I know that this rude diagnosis may insult the politically correct self-presentation of social workers but I still claim that their diagnosis will grow in accuracy when the younger adults must be hired for municipal jobs.

The intrinsic rewards that the well-accomplished work can confer has until recent times compensated for the moderate pay. If the intrinsic rewards are missing, the pay gap just actualizes as existential anxiety over the waste of one's life. It is already a well-established finding of social psychology experiments that motivation activated by external factors, such as job insecurity, can crowd out internal motives, such as concern for public service. The new incentives may not be as powerful as the old ones, and individuals may feel reluctantly coerced into activity rather than driven by their own goals.⁴⁸ Performance-related pay is generally felt to be unfair and divisive, especially because professional tasks are not easy appraisable, and the actual bonus for Stahanovian heroes of work remains insignificant in comparison with the toll it takes.⁴⁹ Julian LeGrand suspects that performance-related pay may increase self-interest by turning altruists into egoists.⁵⁰

Managerial redefinition of work has enchanted the self-esteem of managers alienated from the field but has alienated the field workers, from the required tasks of the organization.⁵¹ Managerialese as a sort of newspeak⁵² has shredded the mutual trust between leadership and their subordinates. "While every unit complains of the lack of employees to take care for children, patients, and seniors, their staff is obliged to produce administrative bubble", criticizes the journal of Finnish social work. "In day-care centers, for instance, one can find a heap of documents listed as follows: report of activities, plan for activity, primary school teaching plan, plan for rehabilitation, proposal for special care and education needed by a child, a manuscript for an aere-kelto round, a statement for a six-year audit, a personal education plan, analysis of child's capabilities to attend classes, a form of observation to prepare a plan for preliminary school and estimate a child's

⁴⁷ Brooks (2001).

⁴⁸ Deci & Ryan (1983); Lane (1991), pp. 371-374.

⁴⁹ Bourgault et al. (1993).

⁵⁰ LeGrand (1997), p. 162, 165.

⁵¹ Eräsaari (2002), (2006), (2009a), (2009b); Pollitt & Bouckaert (2000), p. 189; Hood (1998), p. 13.

⁵² Gherardi & Jacobsson (2000).

abilities to attend classes, and a manuscript for the first appointment with a new family. ...In addition to these documents of activity, the day-care centers may already have the documents for the development of staff (developmental discussion, appraisal of the coping and estimation of the requirements of a job). If day-care centers still speak of a plan for activities, it will soon be forgotten, when more fashionable result goals replace it with the prevailing measurement and management methods. Have you already got rid of the Balanced Score Card? Have you already introduced the Prisma of Results?

This kind of administrative bubble will swell the more, when services are provided with more accurate quality standards and – of course – forms to follow and measure the implementation of those standards. To this belong also the customization of a service plan and other plans for every client and the regular revision of these. Almost all should be documented for auditors to enable a comparison with corresponding documents elsewhere. Thus, quality is guaranteed. This self-referential bureaucratic universe has just begun its expansion. Had I power and money, I could pay a million euros for the innovation that drives this *perpetuum mobile* back into its box.⁵³

A shop-steward for mental health nurses points at shaken social reality: "These organizational box games and PowerPoint shows of administrators inevitably keep employees alert, because their experiences of the earlier foundations of their work are devalued before the dawn of the next morning and the new foundations still remain unclear and there is no security. That kind of 'blue moment' in early morning enables one not to dream creatively but increases uncertainty in the early roots of our doing and being. When all others are kept in uncertainty, then those who know can rule without constraints. Maybe this is a modern way to create an innovative atmosphere at work."⁵⁴

And a social worker in the child protection section of a social office comments on the annual report of the social attorney as follows: "In the report one can read how the recommendations of earlier reports are further neglected as the services are 'developed.' As I returned from the summer holiday, new organizational reforms were running, again, in most sections. My opinion is that the final countdown of social services is on the way, even if nobody admits it. Lack of money and goals for saving appear again and again on the agenda, and savings are made for instance by cutting the money for hobbies for the inhabitants of the child custody service. I would have begun by cutting off the job of the appraisal manager: with the money saved we could have done more by giving something real to the children than by maintaining a human bubble."⁵⁵

⁵³ *Dialogi* 2/2008 "Hallintohöpinää" (= "bureaucratic babble").

⁵⁴ Masa's letter to the author, borrowed with permission, January 28, 2008.

⁵⁵ Pirjo's letter, September 8, 2006, borrowed with permission.

These ironic statements can be regarded as typical: distancing oneself from the obviously absurd game one has to play to survive from year to year, improvising ad hoc the minimal budget by means of all kinds of provisory projects and competing with other units with statistics, following the suboptimal alternative in the prisoner's dilemma: opportunistic behavior at the cost of cooperation that would benefit the participants more than individual survival operations. People try to avoid being deceived and minimize their commitment, when they think that others will follow opportunistic logic anyway. Morality that would limit joint adversarial choice can evolve on the basis of stable interaction enabling people to predict each others' behavior and trust in their co-workers. Originally, the NPM should have curtailed individual self-interest of the alleged rent-seekers in the public sector; as a matter of fact, it has made the theoretical problem of micro-economics, the opportunistic zero-sum game, come reality in a sector where traditions and habits until now have held the latent prisoners' dilemma in abeyance. A researcher applying for the technological development funding in Finland has to confirm that his/her own organization guarantees 40% of the total cost. The simple way to do it is to extract it by the prospective loss of external money (a *fait accompli* tactics) – at the cost of the basic responsibilities of the organization and last but not least at the cost of one's fellows. When counterproductive behavior from the point of view of the whole organization is directly dictated by the incentives given, all moralizations of individual "choices" may miss their target. The invisible hand of the market is weakened by the lack of nonmarket conventions such as trust, honesty, and fairness.⁵⁶

The minimizing of one's input in a game in which one cannot win through effort can appear as "Svejkism," the passive resistance of the well-known soldier from Prague: exaggerated compliance, humility and the performance of serious commitment just underlines the opposite.⁵⁷ The employees learn to justify their doings and neglects by referring to the holy slogans of quality documents, strategic priorities and incentives, thereby quite effectively neutralizing their purpose.

The junk employees of McDonalds demonstrate their integrity by wearing under their uniforms a McShit T-shirt, even if they smile in a disciplined manner for their clients, as if they really believed in their employers' values. Mental distance might save our private souls but does not prevent us from making our moves as expected from above: trying to achieve small rewards at the cost of other people instead of challenging in unison the very game⁵⁸, in which we all finally will perish like Roman gladiators, one by one, after a few moments of glory at the cost of our colleagues.

⁵⁶ Leibenstein (1982); Axelrod (1984); Verbeek (2002).

⁵⁷ Fleming & Sewell (2002).

⁵⁸ Julkunen (2008), p. 304f.

Managerial newspeak and the inner asylum sought by many professionals are, however, only a reflection of the core problem: the attempt to increase productivity in the public sector using Wal-Mart with its mass-scale retail as a benchmark of productivity of the services. That chain of supermarkets was able to overcome "Baumol's disease" which allegedly haunts all personal services: the problem that their productivity – unlike the productivity of other industries – cannot be improved by automation. Wal-Mart has falsified this traditional conception not only by its economy of scale but also by Taylorization of services and deprivileging of employees.⁵⁹

Taylorism should have disappeared from the process industry along with Fordist mass production, when flexible lean production with self-ruling quality teams replaced it. The working-life literature reported, from the 1980s on, empowerment of workers, shrinking middle-management, and autonomy at work, as employees became more educated and achieved more responsibility with freedom and enhanced commitment to their job as a way to self-fulfillment. The romantic ideal of the artist should have become the reality for staff in the post-industrial information society, the ICT sector with its creative freaks defying the IBM dress-codes being the most convincing example.⁶⁰ As a matter of fact, the chronic overcapacity crisis in the world economy since 1974 has been handled by doing more with less: both by making the work force cheaper and reducing it.⁶¹ Standardization, division of work, the separation of monitoring from making and first and foremost deskilling have triumphed in the fields formerly ruled by middle-class professional cultures: at the universities, in hospitals, in schools.

For employees, Taylorism means losing their bargaining power gained through experience and professional education: they should instead be interchangeable cogs in a well-lubricated machine. For Neotaylorists, McDonalds is an intelligent organization, because it can provide quality-assured standard products everywhere using unskilled labor, whereas a university is not, because it cannot predict results and methods of doing things have not been homogenized.

In Finland, Paul Lillrank, Professor of production economics, has implemented process industrial reforms in health care. He denies the actuality of any lack of resources, if only employees and tasks could be divided and reallocated as effectively as in the retail sector. The main obstacle is, according to him, resistance to change by the over-educated women in municipal services: these believe they are entitled to better pay and non-manual work based only on their self-inflicted over-education. "Nurses have themselves created a melodrama about the misery of health care work. A peculiar discourse has emerged: nurses are de-

⁵⁹ Lichtenstein (2005).

⁶⁰ Bradley et al. (2004); Julkunen (2008).

⁶¹ Brenner (2006).

picted as sooty Cinderellas, whose righteous place should be somewhere else. Have they not studied for many years? ...The municipal economy has to struggle with its own creature like Dr Frankenstein."⁶²

One of the untested basic underlying assumptions of the NPM has been that depriving the professionals of their turf, making them transparent by means of time and result control, will free privately owned resources for the common good. The NPM has generated a culture of distrust which is corroding the values of professionalism, citizenship, equity, and service like acid in the water supply.

The alleged benefits of threats are supported neither by the results of occupational health psychology nor by behavioral economics. On the contrary, these disciplines claim that people lose their initiative and energy if they cannot help their situation by active control. The collapse of the meaning of work during the 2000s in Finland reflects the collapse of the psychological contract of give-and-take at work.⁶³ Experiences of fear, anger and unfairness reduce productivity, whereas positive feelings improve it.⁶⁴ The foundation of the NPM, increasing productivity by keeping employees vigilant, stumbles over the foundations of human behavior.

Loss of control and loss of motivation

The central human striving is to have an influence on what happens to him/her and not to be a victim at the mercy of forces beyond one's control, such that the challenge grows depressing. In this game the employees cannot win: effort will not be rewarded, but failures will be punished. Overwork will be paid with more overwork. Assuming personalized responsibility will not confer one more space for discretion but bring with it more external controls. The work process has been intensified and more measured "outputs" generated per member of staff employed, even if the OECD statistics do not recognize increased productivity in public services. The cost of improved productivity at the cost of staff, on the other hand, is measurable: stress, overload, and reduced meaning at work.

To be sure, most public sector professionals have tried to the utmost to do their work well in order to maintain the meaning of work. Their idealistic sense of responsibility has for a while compensated for shrinking resources⁶⁵, for instance in Finnish health care which produces the best output (life expectancy, sickness,

⁶² *Suomen Kuvalehti* 37/2007: "Palkkateatteri". See also HumanRe project led by Juha Kinnunen, University of Kuopio.

⁶³ Alasoini (2006).

⁶⁴ Amabile (2007).

⁶⁵ *Helsingin Sanomat* 17. 10. 2007: "Naisaloille hakeutuvilla idealistisia käsityksiä työstä" (Marja Vuorikoski).

death, and consumption of antibiotics) with the smallest staff and money. In practice, assuming responsibility has meant double work during summer, if the whole department is not entirely closed, and failure to compensate for regular extra hours, regularly nullified at the end of period.⁶⁶ Leena Eräsaari states, along with Julian LeGrand, that at first social and health care professional cling to their own ethos, according to which everyone should be cared for perfectly, then they give up their resistance and adhere to the official pressure for "productivity," maximizing numbers and reducing costs. Social workers are tutored to carry out their tasks "with a light hand," because resources do not allow real care.⁶⁷

In a day-care center, the exceptional ratio of staff vis à vis children has been normalized: "One of the colleagues is often sick, participates in a training or in a team meeting or carries out bureaucratic tasks that also should be done. The colleague is helped, her children are taken care of by another employee. The educational plans promise a follow-up of childrens' growth and development, observation of their skills at play, meeting the child as a person. Fine goals! In practice everyday life is like cattle-breeding or a peace-keeping operation. Children are divided into playing sites in groups that should minimize conflicts. As a seasoned novice in the field I was shocked by this betrayal of the welfare state. The staff and small children are sacrificed in order to free the parents to serve the economic machine."⁶⁸

When work can no longer be accomplished in a personally satisfactory way, the employees distance themselves more and more, shifting their psychological interests elsewhere, into the spheres of life in which they still can feel their personal impact. Work atmosphere barometers tell how the savings program, ideologically cutting the staff of the state by 14 600, has in many places disturbed the well-being and joy at work. "Weariness under the growing work load, so common among the staff, is accompanied also by vulnerability and a sense of helplessness as victims of seemingly irrational measures," says one member of a forest research institute.⁶⁹

This sense of victimization is fueled by the fact that even the consultants of the finance ministry have publicly stated that the cutting program is a purpose in itself, not a means to serve rational goals. The staff has got the point: they have to disappear by starvation: "If the saving program is continued on this basis, we will face the horror of a cut-down state staff without cutting their tasks and increasing the 'efficiency' of services. In practice, this means that the remaining employees may try to fulfill their obligations without having the slightest prospect of suc-

⁶⁶ *Helsingin Sanomat* 18. 6. 2008: "Tehokkuus otetaan hoitajien selkänahasta" (Leena Turunen).

⁶⁷ Hintikka (2006).

⁶⁸ *Helsingin Sanomat* 13. 6. 2008: "Päiväkodin arki oli minulle yllätys" (Leila Kiuru).

⁶⁹ *Helsingin Sanomat* 23. 4. 2008: "Tuottavuusohjelma saa aikaan työpöyhöintia" (Tuija Aronen).

cess."⁷⁰ For instance, occupational safety controllers have been cut by one fourth while burdening the remaining ones with new tasks, including equality, harassment, subcontractor surveillance, violence by clients.⁷¹ Finnish universities have to assume responsibility for a seven-fold number of full-time students on average than does Harvard, benchmarked for the norm of quality.⁷²

Social workers have to fight fire when they cannot prevent problems from worsening. They have to explain to the patients that they cannot be helped or that the most they can be offered is a waiting-list number. One sole custody case could ruin the budget of a small municipality, so these are delayed and avoided. "Welfare services are guided by two contradictory strategies, one based on cost-efficiency, another on quality of the service. A social worker is torn apart between them. Children and the young should be supported early, but money is saved and basic services cut," explains Harry Lunabba, a social worker in child protection. A lack of resources and vacant posts cause vicious circles of diminishing chances to succeed at work and cause overwork in many social-welfare offices, so that these are avoided by competent social workers, who seek better pay and less responsibility in education, projects, and organizations. Most of those posts are thus filled with incompetent employees; meanwhile the cases grow more and more complicated.⁷³

The occupational well-being studies done in Finnish municipalities show how the quality of working life has decreased since the 1990s, disregarding the improved education for managers. A worker's crucial reward seems to be the opportunity to have some influence upon one's work space, the contents of one's tasks, on work methods. Most municipal employees claim that even these have been lost, the more optimistic younger ones as well, who cannot remember the good times of the 1980s. The main attraction of municipal work, the intrinsic rewards from the work itself is also decreasing, especially in caring and curing jobs.⁷⁴ The fact that four in five of municipal employees experience their work as mentally stressing in comparison with half of all employees can weaken the hiring chances of municipalities to replace the retired baby boomers. Brains drain out of the municipalities, because the employees cannot commit to Neotaylorist reforms from the top down that deny their competence and show them no respect.

⁷⁰ *Helsingin Sanomat* 30. 5. 2008: "Tuottavuusohjelma tuhoaa valtionhallinnon" (Tapio Rissanen).

⁷¹ *Helsingin Sanomat* 14. 4. 2008: "Työolojen valvonta on joutumassa hunningolle" (Tuire Santamäki-Vuori).

⁷² *Helsingin Sanomat* 17. 12. 2007: "Näillä opiskelijamäärillä voi unohtaa Harvardin" (Jorma Sipilä).

⁷³ *Helsingin Sanomat* 13. 1. 2008: "Upuneet auttajat" (Päivi Ängeslevä).

⁷⁴ Kunta-alan työolobarometri (2007); *Helsingin Sanomat* 8. 7. 2005: "Työelämän laatu kunnissa laskenut kymmenessä vuodessa" (Minttu Mikkonen).

The development of work has become one external burden among others for the employees, instead of being their chance to feel their impact.⁷⁵

When the effort-reward balance has been shattered, one can expect cynicism and weariness and at worst, burn-out. Reactive depression is an appropriate reaction against loss of control: If control does not pay off, it is senseless to waste scarce resources. Freezing is a means of adaptation for all organisms, employees included.⁷⁶ When political activity offers no alternatives for TINA ("There is no alternative"-economism), people retreat from responsibility – either they can escape or begin to somatize.⁷⁷

For the employees of municipalities, political passivity may also become enforced: Because they have been seen as an "interest group" and not as experts in health care, social problems, or education, municipal employees have been forbidden to criticize openly a lack of resources or to appeal to politicians as citizens. Outside information should be channeled through managers, representing the "whole" of the organization.⁷⁸ It is only sensible to play with the idea that public employees should be denied the right to represent voters, too, because they form an interest group opposite to that of their employees, the taxpayers.⁷⁹ People eschew responsibility without true means of control; otherwise, they lose their self-esteem due to unfinished work, due to the discrepancy between one's self-ideal and reality. When they escape the public sector, they try to escape from being a container for guilt from the neglect of their patients and clients or a container for anxiety for the future of children, abandoned to schools by overworking or self-actualizing parents.

The independence-dependence conflict is prevalent in every human relationship and job. We cannot resolve it by sleight-of-hand by imagining that public sector employees will increase their productivity and do more with less infinitely only to serve the public cause (which nowadays has been identified with the private cause of the biggest investors). The calling of a public servant may be actual, but altruistic service to others can be expected only from moral masochists. A fair deal, tit for tat, doing one's share, not being a free-rider, is enough for the moral majority. In public jobs, the employee has to walk a thin line, balancing her/his

⁷⁵ *Helsingin Sanomat* 28. 12. 2006: "Tukehtuuko työ kunnissa kehnoon imagoonsa?" (Kai Ovaskainen / Pekka Poutanen).

⁷⁶ Siltala (2007), pp. 388-419.

⁷⁷ Wainwright & Calnan (2002).

⁷⁸ *Helsingin Sanomat* 8. 10. 2007: "Kunnat kieltävät työntekijöitä puhumasta työstään julkisesti. Etenkin sosiaali- ja terveysalalla hiljennetään enemmän kuin laki sallii" (Ville Juutilainen).

⁷⁹ Fears expressed by many speakers in a JHL meeting, Helsinki, September 2, 2008. On the 10th of September, the *Helsingin Sanomat* launched a bashing campaign against the "disproportional" representation of public servants on elected municipal boards: "Puolet vantaan päättäjistä kunnan tai valtion leivissä".

own interests with the demands of clients, which may be overwhelming and will never be perfectly satisfied.

Self-effacing sacrifice is obviously required when teachers are expected to be trained for big, heterogenous groups and not to expect ideal small groups; they must also adapt themselves to the stress caused by aggressive parents.⁸⁰ Among teachers, the number of job-swappers is the same; teachers are by 90 percent committed to their calling of teaching children, but are pushed away by bureaucracy, big groups, and litigating parents.⁸¹ Physicians should according to reformers abandon private practice and devote themselves to health care centers, shouldering all juridical responsibility for their failures and the disappointments with their more and more narcissistic patients. This treatment simply does not function: almost half the health center doctors have planned for changing their jobs. Unfulfilled tasks and time-pressure stress three of five doctors; one of five doctors has considered suicide. Nurses, too, often avoid the conflict between ought and reality, defined not by ideals but what one simply has time to do.⁸²

Public servants can actualize themselves by helping others, if they do not feel abused and if they are recognized as autonomous persons. Personal commitment is always voluntary, implying that it presupposes freedom not to commit. The self-regulating ethics of a profession does not exist without freedom. Ethics cannot be combined with Neotaylorist measurement of results. Alternatives for management exclude each other: 1) either autonomy plus opportunities to better the rate of exchange of one's work by doing it better – or 2) externally directed work with measurable results and no professional turf – of course, with an assured-quality façade but hollow contents.⁸³ In the case 1, we have to take into account some free-riders who nevertheless do not weigh much in the trade-off: the majority takes advantage of the opportunity to do good work in order to see their impact (self-efficacy motive) and feel themselves personally actualized. If money had more weight for employees than the content of work, they would seek their opportunities in the business. In the case 2, the majority rides free behind the façade, because people do not assume responsibility when they cannot control the situation for their advantage. I would recommend professional autonomy despite its taints.

Barbara Czarniawska, summarizing organizational learning, claims that services will deteriorate if old practices and organizational memory are con-

⁸⁰ *Helsingin Sanomat* 10. 9. 2008: "Suomalaisen opettajakoulutuksen laadukkuus on osaksi myytti" (Pekka Räihä). See also *Helsingin Sanomat*: Sunnuntaidebatti, August 24, 2008.

⁸¹ Siltala (2007), pp. 556-558.

⁸² *Helsingin Sanomat* 25. 5. 2007: "Lähes puolet terveyskeskuslääkäreistä suunnitellut työpaikan vaihtoa" (Tiina Rajamäki); 12. 8. 2007: "Sairaskertomuksia hoitoalalta" (Maria Mustaranta).

⁸³ cf. Stein (2001), conclusions on the basis of the Canadian public sector.

demned as worthless, and if professionals must build their identities anew from point zero.⁸⁴ Especially the marketizing and modernizing strategies prevailing in Anglo-Saxon countries have entailed a substantially different set of values and, by implication, a blaming and discarding of the older values of civil service.⁸⁵

At worst, the loss of motivation for and significance of work has produced the "homo sovieticus" type of personalities, who build Potemkin facades as quality audits that they feel as alien impositions to justify their existence but no longer take care of their clients. People do not become personally involved in tasks which they cannot do well with the resources available. They try only to muddle through the everyday pressures without any active initiative, reduced to the status of passive victims setting their hope for salvation on their premature retirement. Then, their personal control over circumstances can return, when they are doing their private everyday chores.

Failed states?

The productivity of the public sector measured as effectiveness may have decreased along with the lost meaning of work and the lost personal interest of employees. Wolfgang Dreschler declares the NPM to be a dead ideal, because the empirical evidence accumulated in 20 years so clearly speaks against it: It has disastrous effect on "industrial" and "developing" countries alike. On the other hand, no evidence shows that NPM reforms have either raised productivity or maximized welfare.⁸⁶ Julian LeGrand states that the internal quasi-market introduced into the British National Health Service from 1990 to 1995 was able to increase quantitative productivity by 0.5%. The quasi-market simply did not function: It stumbled over the resistance based on professional ethics and centralized control that prevented providing "trusts" from making a profit and patients from choosing their service purchaser. The choice-makers in the quasi-market were not ready to break mutual trust and end long-term cooperation to seize eventual opportunities for profit-maximization. Cost-consciousness has certainly increased, but is that worth all the trouble?⁸⁷ Health care had become health economics, but it motivated neither traditional professionals nor the compliant entrepreneurs.

When the benefits claimed fail, and the effects are perverse at best, then doubt sets in that the change is not a means but is the goal. When a local authority's domestic care service for the elderly and disabled may be reshaped along

⁸⁴ Czarniawska (1997).

⁸⁵ Hood (1991).

⁸⁶ Manning (2000/2005); Drechsler (2005); van Mierlo (1998), p. 401.

⁸⁷ LeGrand (1999).

quasi-market lines, with a split between the purchaser and the provider of the service, and the contract drawn up for the services consists of 700 pages, but the actual service provided changes very little, one can suspect change for the sake of change. "We wonder if more *trust* between the parties concerned might not be a more efficient option, enabling a much shorter contract (or no contract at all) and radically reduce monitoring costs."⁸⁸ Proxy markets consisting of service providers, customers, and end users have consumed more resources than they have saved, instead of producing better quality with smaller input. Market behavior cannot be created in a quasi-market, where a service often can be delivered only by one predetermined provider.⁸⁹ In Finland, for instance, one fourth of the budget is now paid for "transparent" market rents in the real estate, in which schools and hospitals have been run for decades, instead of better salaries, more staff, and some resources for the work itself.⁹⁰ Competition between service-providers has not guaranteed better service but often destroyed the existing ones, for instance for the handicapped needing transport in Helsinki in 2005-2006, when the clients had to wait for the new chauffeurs for hours, and for the applicants of last-resort support in Espoo in 2005, as the non-performing IT system left them to starve. Separation of train and track companies in UK caused disastrous accidents after a lengthy neglect of railway maintenance.⁹¹ In Norway, the home care of seniors has become inflexible after the introduction of a provider-purchaser model: the preordained contract cannot be easily changed according to the situation of the "end users".⁹²

As a matter of fact, the reforms have severely disturbed the functional necessities of a complex, open society, in which just the increased market risks and flexibilities make more necessary than ever resourcing and securing of individuals "from cradle to grave." Globalization may have overstretched the national frame of regulation, but some form of institution must structure and make habitable the environment created as a "spill-over" of globalization.⁹³

The only remarkable achievement of the quasi-market reform in the British National Health Service was that from 1990 to 1995 the number of general and senior managers increased by 113% due to contracting and accounting responsi-

⁸⁸ Pollitt & Bouckaert (2000), pp. 6f., 174.

⁸⁹ König (2001), p. 6f.

⁹⁰ Eräsaari (2002).

⁹¹ Marquand (2004), p. 23.

⁹² Vabö (2005).

⁹³ Drechsler (2005).

bilities.⁹⁴ In one hospital, for example, two administrators were replaced by twenty-six.⁹⁵

While necessary services have been hollowed out – from American public schools to Finnish social work, the managerial bureaucracy of strategists, planners, quality controllers, and other specialists of plastic newspeak have grown by the way that Milton Friedman once called rent-seeking: making themselves needed and swelling their organizations, who have no market incentive to reduce their size and privileges. They make themselves necessary by producing statements and reports, even if little else happens in the long-run (except further disturbing field work). Instead of re-centering the shrunken resources in field work, NPM has caused a swollen administration which incessantly invents new bureaucratic procedures to deprive the field workers of their remaining resources. The self-presentation of organizations has grown more important than the substance of their work; it includes, besides mission statements, strategies, and "values," also quality assurances and ranking in various lists, adopted from the commercial quality-control industry. The auditors' rituals of verification are self-validating and self-perpetuating. The transformation of citizens into customers has also taken away their participatory rights and provided them to entrepreneurial bureaucrats with power without the same responsibility as was the case in a politicized state.⁹⁶

The most striking example is the UK university sector, where huge efforts have gone into public relations, institutional performance indicators, and quality-control proceduralism, while actual class-contact and individual attention to students has actually fallen.⁹⁷ The submission of creative people to bureaucrats has been characterized by paranoia-shift, game-playing, dual self-evaluation, questionnaire-fatigue, hijacked feedback, cherry-picking, tunnel vision, suboptimization, myopia, measure-fixation, ossification, grotesque turbulence, intrusion, dramaturgical performance, conformist behaviour, feeding of the beast, intransigence, colonization, rational adaptation, pragmatic skepticism, sinking, coping.⁹⁸ All of these refer to a common loss of personal meaning at work.

Downsizing of public services and the disarming of all democratically controlled institutions will in the long run prove to be counter-productive also from the point of view of a flexible market economy. Fragilization of the state will soon make life unpredictable, mutual contracts broken, and private costs of secu-

⁹⁴ LeGrand (1999).

⁹⁵ Jenkins (1995), p. 83.

⁹⁶ This seems to be the ultimate reason why all the statistics are gathered. Cf. Power (1997); Samier (2001); Ahonen (2003).

⁹⁷ Baty & Thompson (1998).

⁹⁸ Harvey (2002); Newton (2002); Siikala (2005).

rity enormous. In the 46 fragile states of the world, basic social services, safety, and human rights are not guaranteed, so that the economy also does not thrive. A predatory economy, polarization, and hopeless poverty culminate in ethnic/religious conflicts. When local and state governments fail, people must resort to gangs to get protection. State institutions exist only as some mafias among others, extracting money from their subjects. When an impersonal state does not function, personal protection – a sort of feudalism – replaces it. This is the case in Detroit, Johannesburg, Los Angeles, Manila, Nairobi, and Rio de Janeiro: the wealthy population is sequestered behind walls and protected by private guards. The gray economy outside the tax economy offers one a minimal chance to live. But the gray economy is not regulated by laws, but by supply and demand. Inequality, discrimination, and might as right prevail.⁹⁹

Market logic does not alone make a complex society run: "The market domain consumes trust; it does not produce it," says David Marquand. If market actors cannot trust each other, pirates and gangsters outdo markets. Exorbitant transaction costs render exchange unfeasible. Kinship remains the only community bound by mutual trust, but private trust relationships are, by definition, narrow and introverted.¹⁰⁰

The researchers of the Research Institute of the Finnish Economy trying to improve the productivity of public organizations had recently to admit the basic differences between business and public services: "In the public sector, the volume or value of outputs is seldom the main goal. The justification for public sector organizations comes from producing public goods (freely available for all citizens), like rule of law or social justice, limits to opportunistic behaviour and collective security."¹⁰¹

According to Niklas Luhmann, modern society consists of independent subsystems, each asking its own questions and getting pertinent answers. Each of them is attuned only to such semantic distinctions as are relevant for their tasks. For instance, the economy sees a difference between profit and loss.¹⁰² "The goods of the public domain cannot be valued by market criteria, but they are not less precious for that. They include fair trials, welcoming public spaces, free public libraries, subsidized opera, mutual building societies, safe food, the broadcasts of BBC World Service, the lobbying of Amnesty International, clean water, impartial public administration, disinterested scholarship, blood donors, magistrates, the minimum wage" is the list of Marquand. The economy does not create the

⁹⁹ Napoleoni (2008); *Helsingin Sanomat* 3. 12. 2007: "Valtioiden haurastuminen uhkaa hyvinvointia rikkaissakin maissa" (Olli Ruohomäki)

¹⁰⁰ Marquand (2004), pp. 29-34.

¹⁰¹ Martikainen et al. (2006).

¹⁰² Luhmann (1984). Cf. Boltanski & Chiapello (1999).

rule of law, enforceable contracts, property rights, and efficient fraud squads but needs them. If the public domain is invaded by the market logic, then justice is on sale, public offices go to kinsfolk or cronies and mutual trust contracts accordingly.¹⁰³ This is the case in patrimonial empires of the East and in the failed states of Africa.¹⁰⁴ The only way to make the economy take into account justice or human well-being is to make these "externalities" appear to the economy as profit or loss factors. As such, the economy is beyond good or evil: It is indifferent to the welfare of other subsystems. For this very reason the business ethic is contradiction by definition, because private companies cannot replace the state in guaranteeing contracts, even if the scope of contracts between citizens and organizations can vary. Politics as a subsystem should mediate the systems, articulating citizens' concern in a coercive form (for the economy, threat of losses).

The NPM has stumbled over its fundamental contradictions. In their proud program *Reinventing Government* (1992) Osborne and Gaebler¹⁰⁵ once foresaw empowered citizens and communities as choosing between cost-effective quality services provided by empowered and hierarchically flattened agencies and entrepreneurs, motivated by the clear vision of their core mission and the connection of consequences to actions.¹⁰⁶ What we can find everywhere are rather passive citizens at the mercy of mass service oligopolies, having no choice, and depressed public servants who have lost their vision, mission, and strategy based on a clear connection between effort and reward – the much-emphasized control factor of Osborne and Gaebler. Instead, we find an opera buffa, where teachers avoid offering an education in order to maximize customer satisfaction, and zero-tolerance police makes unnecessary arrests in order to exceed its annual results.¹⁰⁷

Some former enthusiasts of market-directed reforms have begun to hesitate when seeing the dysfunctions caused by the most benevolent reforms mixing the logic of private enterprises and public services that exist not to make profit but to promote security, justice, health, well-being, truth and culture. When the city of Turku demands that the municipal schools pay for the art work on their walls in order to internalize all costs of every organization and make the internal flows of money transparent, even Antti Blåfield in *Helsingin Sanomat* wondered at the absurdity of all-encompassing commodification: "No savings are achieved, because the pictures removed from the school walls shall in any case be stored in some warm storage which, too, costs something. – Not to speak that from now on Turku city holds a bigger part of its art collections in closed storage, not letting

¹⁰³ Marquand (2004), p. 32f.

¹⁰⁴ Napoleoni (2008).

¹⁰⁵ Osborne & Gaebler (1992).

¹⁰⁶ Dunn & Miller (2007), pp. 347-350.

¹⁰⁷ *ibid.*, p. 356.

them civilize and even inspire students and teachers. The conception of the vice mayor of Turku is simply wrong. Schools should not use their scarce money to fund the activity of the city art museum." He refers to Martin Wolff, the vice editor in chief of *Financial Times*, who differentiates between the moral of traders and protectors, the first trying to achieve more according to the rules and the latter maintaining the rules. Whereas business cannot follow bureaucratic plans and rules, public services cannot be fitted in the Procrustean bed of the stock market. By definition, business legitimately focuses on profit maximization and thus tries to "harvest" the public also, whereas states should orient themselves towards the common good. Most activities carried out by the public sector are there precisely because no direct profit can be made.¹⁰⁸

Leena Eräsaari, the most consequent opponent of NPM in Finland, defines NPM simply as a form of state terrorism, because the state no longer protects citizens rights but insults them. It forces employees into private-sector conditions and pay and dictates reforms thwarting municipal, institutional, and employees' autonomy, calling them technical improvements without political debate. For her, NPM is the problem, not the solution for the problems in public services.¹⁰⁹

If this management revival movement *did* for once fall out of fashion, that would not imply that institutions would cease to change. Development of work, improving quality, and responding to the needs of society would be perceived also as an ongoing bottom-up process. Employees are eager to improve their work, because it confers on them a sense of accomplishment and improves their rate of exchange. The first aim demands sufficient time to get the task done in a satisfactory way, the second honors of personal spaces of control so that not all increased productivity would be demanded of the employee at the same pay. If the preconditions of personal control are guaranteed, it is not impossible to combine professional, process, client, and saving points of view at least to some degree and create win-win situations for all interest groups.

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¹⁰⁸ *Helsingin Sanomat* 10. 1. 2007: "Julkinen valta ja kauppiaamoraali"; *Yhteenveto* 4/2006 "Mainettaan parempi virkamies"; Drechsler (2005).

¹⁰⁹ Eräsaari (2002), (2006), (2009a), (2009b).

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"Shall I Controlling and you make Contracting, or the other way round?"¹¹⁰

¹¹⁰ from the Website of the "Österreichische Lehrer/innen Initiative – Unabhängige Gewerkschafter/innen für mehr Demokratie" (ÖLI), <http://www.oeli-ug.at/index.php?id=97>