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**The New Public Management and Democracy
in Canada: A Recipe for Scandal?**

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ABSTRACT

The February 2006 national election in Canada was driven by two political scandals more than by a positive sense of what needs to be accomplished in Canada. These two scandals are the events that led to the resignation of David Dingwall as President of the Royal Canadian Mint and the Sponsorship Program scandal that led to the Gomery Inquiry. This paper examines these two scandals, both financial in nature, to determine if they may have been driven by a shift from traditional democratic, public-sector values to the market-based, private-sector values of the New Public Management. In these specific cases it would appear that the NPM played little role in these scandals, although the model of contracting out for government services bears some responsibility for the Sponsorship scandal. Ultimately this paper examines one piece in a complex web that has led to a decline in popular support for governmental institutions throughout Canada. The deeper question is, therefore, “Is the value conflict between NPM and traditional public sector values part of the ongoing legitimacy crisis that has led to calls for democratic reform throughout Canada?”

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THE NEW PUBLIC MANAGEMENT AND DEMOCRACY IN CANADA: A RECIPE FOR SCANDAL?

At the end of the day any system of government will eventually witness acts of corruption and abuses of power on the part of individuals, organizations, and political parties. The New Public Management (NPM) approach to governing, however, may breed additional scandal and corruption because of an inherent conflict between the core values of NPM and the core values of representative democracy. Core values of democracy include social equity, the rule of law (fair treatment for all), and equal participation rights, while the core values of NPM include market-driven functionality (efficiency and competition), ownership, and managerial autonomy. The *ownership society*, as expressed through the concepts of capitalism and the market, appears to directly conflict with the essential mindset that government ought to exist to serve the needs of society or to serve the public interest.

The goals of this article are (1) to develop a clear picture of this value conflict, (2) to describe the Gomery Inquiry into the Sponsorship Program and the resignation of David Dingwall as President of the Royal Canadian Mint because these two scandals were arguably the core issues in the February 2006 Canadian national election, and (3) to discuss whether this value conflict appears to have led to these scandals. The research question for this paper is whether or not these two key scandals provide any evidence that the private-sector values supported by the NPM played a role by overriding traditional public sector values. If so, can this value conflict be ‘managed’ or will it necessarily lead to additional corruption and scandals.

This discussion is important beyond the results of the 2006 election, which saw Conservative Prime Minister Stephen Harper brought into power along with his current minority government. The reason is that a perceived lack of legitimacy in government has led to a concentrated focus on democratic reform in five of the ten provinces and at the national level. The ongoing value conflict discussed in this paper may be a source of this falling legitimacy. Do politicians and voters sense the tension between this managerial approach and their longer-term regime values, or are other factors driving the call for democratic reform. The deeper question is, therefore, “Is the value conflict between NPM and traditional public sector values part of the ongoing legitimacy crisis that has led to calls for democratic reform throughout Canada?”

VALUES OF THE NEW PUBLIC MANAGEMENT

All successful advanced economies use a blend of democratic and market-based approaches to achieve social cooperation and economic development. In Canada, the United Kingdom, Australia, the United States, and many other advanced economies, this has traditionally taken the form of allowing capitalism to run free until it creates specific public problems. This is in keeping with the ‘invisible hand’ of the market as advocated by Adam Smith in 1776. This concept asserts that individuals will, and ought to, pursue their own self interests, and in so doing they will collectively achieve the greatest possible value for society (Smith 1937 (originally 1776)). Government, in this view, must maintain stable legal systems so that contracts are

binding and must maintain a system of property or ownership rights, so that business owners may reasonably expect to profit from their ownership ventures.

When markets fail by creating externalities, trampling on human rights, or simply asserting too much power in the affairs of the average citizen or the community, governments frequently step into the fray and establish non market-based laws and regulations to overcome the perceived failures of capitalism. Such was the case in the United States in the late 1800s as regulatory agencies were established to restrain the increasing corporate power of the Carnegies and the Rockefellers. In other situations, such as foreign affairs, judicial systems, and national defense, it is common for nations to determine that the public function is too important to allow markets to take the lead. In these cases governments establish and maintain the requisite programs and services before waiting for market failures or other specific reasons for public involvement.

NPM is shorthand for applying the private sector or market-based techniques to public services. This managerial approach to governing incorporates ideas ranging from establishing internal competition to increase bureaucratic efficiency and focusing on outcomes measures, to contracting out traditional public services or outright privatizing traditionally public functions. The approach is supported by a strong underlying belief that the private sector is more efficient and more effective than the public sector. While such a view is dominant in the U.S., it is clearly not the only view and it also exists in systems throughout the world. Reginald C. Mascarenhas states this clearly, “Funding expenditure on public services through taxation is seen as diverting resources to lesser productive purposes and is crowding out the private sector”(Mascarenhas 1993: 319). A disdain for bureaucracy and red tape supports this belief more than solid research, and thus the approach may be rooted more in political views of the civil service than in organizational, managerial, or public policy research.

One example of NPM is commonly termed *corporatization*. Simply put, corporatization attempts to replicate the private sector corporate model within the operating environment of a government organization (Bilodeau, Laurin, and Vining 2006). A recent study of 11 corporatizations in the Canadian context determined that cost efficiency, employee productivity, and the overall financial health of the organizations increased following corporatization (Bilodeau, Laurin, and Vining 2006). Unfortunately, this study did not attempt to measure the impact of this NPM approach on democratic values; indeed, it did not examine traditional public sector values at all.

While Margaret Thatcher and Ronald Reagan began the current movement toward privatization and “running government like a business” in the early 1980s, governments in Canada did not wait long to adopt this approach. NPM is generally dated as an early 1980s response to serious financial crisis within the governmental sector in many nations; however, some aspects of it clearly existed earlier. For example, on January 15, 1955, President Dwight Eisenhower issued Bureau of the Budget Bulletin 55-4 stating that, “The Government shall not start or carry on any activity to provide a commercial product or service if the product or service can be procured more economically from a commercial source”(Reason Foundation 2005: 1). This codified the attitude that the private sector is more efficient and effective. Earlier presidential management reform efforts lacked elements of the NPM except for the concept of pay for performance documented by William R. Divine in 1951 (Divine 1951; Yamada 1972).

Reflecting the NPM wave, however, President George H.W. Bush ratcheted this commitment up with Executive Order 12803 on April 30, 1992, which encouraged all federal departments and agencies to assist state and local governments in privatizing federally-financed infrastructure assets. Part of this plan was for all levels of government to financially benefit from such sales to the private sector, but no plan needed to be established for continual public benefits from future revenues that may be derived by the purchaser. The Crown Jewels were effectively on the market. *Privatization* is a common NPM theme and takes a significant step beyond corporatization by actually turning over public programs, services, and/or facilities to the private sector. Rather than running government like a business, private entities are contracted to perform these governmental functions or parts of the government are literally sold off to private interests. This can take the form of selling off public lands, contracting to have a corporation run a prison or water treatment facility, or creating educational vouchers so that citizens can choose a private school if desired. The specific form determines the extent of the loss of governmental control over formerly public programs. One example is that the State of Michigan privatized the only company in the U.S. that produced the Anthrax vaccine (Johnson 2001). They needed the money at the time, but after the events of September 11, 2001, this was revealed to have been bad public policy.

Many extensive studies of the NPM, including research that seek to compare public management reforms in numerous countries, provide little or no discussion of the underlying value system (Barzelay 2001; Bresser-Pereira 2004; Lane 2000; Walsh 1995). These values include individual market-driven functionality (efficiency and competition), ownership, and managerial autonomy. It is frequently expressed that the monopoly nature of public programs is a key reason for bureaucratic inefficiency. The logic is that public servants in a monopoly setting do not have incentives to perform well, and that markets can provide competition. In contrast, the basic profit sharing concept attempts to increase productivity by making more people owners and stock options attempt to make senior corporate managers perform better through the lure of increased ownership. What is frequently excluded in the NPM research is a clear discussion of flaws with the ownership model or aspects of society that should be exempt from this ownership model.

Competition is also part of the *public choice* solution to perceived failures in public management. For example, Vincent Ostrom's concept of *democratic administration* involves the need for multiple units of local government, such as school districts (Ostrom 1989). The more school districts that exist, the easier it is for people to choose where to live based on the school district they believe will best serve their needs. This, in theory, forces school boards and administrators to compete for students who, ideally, will come with dollars attached to them. Educational vouchers and schools of choice are additional routes to increasing public choice (i.e., allowing people to get what they want out of government and forcing units of government to compete with each other). The idea is, quite simply, that competition in service delivery is more important than whether the provider is public or private.

For the most part Ostrom's *polycentricity* is not a useful concept for a program that is going to be delivered by a national government, and so decentralization of programs and authority to the lowest level of government is the general prescription. For the current discussion, however, it serves as an additional example that private sector values – competition in this case – can be

merged with public sector discussions. In this case, Ostrom cleverly works the word “democratic” into his theory, which is about individual choice rather than the public good. As with Adam Smith, Ostrom makes the leap that when our individual desires are met, the public good is attained. These two can not necessarily be equated.

More broadly, the work of Mascarenhas suggests that outsiders do not see the immense variety that exists within public organizations, including quasi-governmental organizations and public corporations, and thus advocate for the market model (1993). He shows that an enterprise culture can be established, as in Australia, Britain, and New Zealand, where managers are given greater autonomy and authority, yet are held closely accountable for results. However, he still concludes that “The design of public organizations under the new public management fails to recognize the network of organizations responsible for a policy area or policy field”(Mascarenhas 1993: 326).

As pointed out by Larry D. Terry, the entrepreneurial model also comes with “a heavy reliance on domination and coercion, a preference for revolutionary change (regardless of the circumstances), and a disrespect for tradition”(1993: 394). Within a governmental context the first of these could result in movement back to the earlier era of absolutist states, the second value could rob the capitalist economy of the very stability that it requires from government in terms of contract law and property ownership, and the third could rob society of an integrated political system that develops over centuries rather than years. (It should be remembered that Canada and the U.S. are teenagers on the international stage – having just 220 years and 140 years, respectively, to develop their political cultures.) In other words, Terry argues that adopting these values within the public sector would not be good for the public or private sectors.

Terry argued elsewhere that public entrepreneurs are oblivious to democratic values, including fairness, justice, representation, and participation (Terry 1998). The administrative values in the Canadian Public Service are neutrality, accountability, efficiency and effectiveness, responsiveness, and representativeness (Kernaghan and Siegel 1987). As in most democratic systems, the concept of ownership can only be applied to the citizenry while politicians and public managers are, at best, stewards of the public interest (Herring 1936). In effect, their role is akin to that of the legal guardian for a child or the trustee of a family trust. The managerial thrust seeks to apply the ownership concepts within government and ultimately focuses on efficiency and to a lesser extent effectiveness. These are important public sector values in Canada, but (1) political accountability via a responsive bureaucracy and (2) the rule of law which is essential to fair treatment of individuals (i.e., neutrality) are important competing values. These are frequently the paramount public values because an efficient bureaucracy, as was noted more than a century ago, can otherwise be turned to support any master.

The question with NPM is whether or not it brings a package of values into public-sector organizations that ultimately allows private interests and greed to supersede the public interest, broadly conceived. I turn to the case of Canada and scandals that were core issues in the 2006 federal election.

RECENT SCANDALS IN CANADA

It is clear to even occasional observers of Canadian politics that perceived and real scandals have been a driving force in recent elections, while only two specific cases and one election are discussed in this section. Significant aspects of the NPM seek to move private sector values into the public sector. The ensuing value conflicts may promote financial mismanagement and scandal because the private-sector values encourage cost reduction, financial incentives for performance, and other means to achieve efficiency.

The value conflict is evident in the example of Jack Messer, former CEO of Saskatchewan Power Corporation, a provincially-owned Crown Corporation. From 1991 to 1997 his aggressive and decisive style turned SaskPower from a debt ridden Crown Corporation into an \$800 million a year business with annual profits of \$130 million. In 1995 power rates were frozen while rates in other provinces continued to climb (i.e., the perfect example of serving the public interest). In 1998 he was unanimously dismissed by the board, which had felt for years that he was running roughshod over them, for a problem amounting to roughly \$5 million (Siggins 1998). On the one hand, SaskPower was expected to compete in the rapidly globalizing energy sector and they had a CEO who was doing this very successfully for a \$150,000 annual salary, and on the other hand, even the hint of a financial scandal was not tolerated, in part because of his hard-driving corporate style.

Corporate financial scandals such as the failures of Enron, Nortel, and Worldcom, rock the world financial markets. Sticking with Canada, Nortel, a large international telecommunications corporation, lost \$10 billion in stock market value in one day when it revealed that three years of financial statements had systematically over reported its earnings. While this action cost the federal government hundreds of millions of dollars at the very least, it was shrugged off as just another bad day on the market (Reguly 2004). A significant factor in these and many other financial scandals is that true corporate financial performance is hidden from the owners (i.e., the financial markets and stockholders) in order to raise more capital and receive higher executive performance bonuses.

When problems involving far fewer dollars occur in government they are blamed on politics and bureaucracy rather than on the private-sector values embraced by the NPM. Recent Canadian experience provides numerous examples of such problems, including the recent Sponsorship Program scandal involving party-level and departmental-level corruption and the ousting of David Dingwall as President of the Royal Canadian Mint, an individual-level scandal that revealed several larger departmental-level problems. These two are discussed briefly, in turn.

Sponsorship Program and the Gomery Commission

The Liberal Party's sponsorship scandal and ensuing Gomery Commission reports were a key reason that Conservative Stephen Harper became Prime Minister on 6 February 2006. This particular scandal is easily traced back before Liberal Prime Minister Paul Martin's time in office (2003-2006), yet his party was made to pay for errors committed by Prime Minister Jean Chrétien (1993-2003) and his colleagues from 1994 through 2003.

After an Auditor General of Canada report on the financial mismanagement of this program in November 2003, Martin was able to assume control of his party and become Prime Minister. His Cabinet's first action was to end the Sponsorship Program. He then appointed Quebec Superior Court Judge, Justice John Gomery, to head up the Commission of Inquiry into the Sponsorship Program and Advertising Activities. The Gomery Inquiry, as it is commonly called, was charged with determining the facts of the situation and to find solutions that would help ensure that similar problems did not recur. The fact finding report was released on November 1, 2005 (Commission of Inquiry Into the Sponsorship Program and Advertising Activities 2005).

A synopsis of the scandal is: Federal tax dollars were funneled through private advertising agencies to specific sporting projects and cultural events, ostensibly to market Canada and the value of federalism within Quebec, a province with strong secessionist tendencies. These private agencies were paid excessively generous fees and commissions, which were then used to provide official and unofficial donations to specific politicians, to provide official and unofficial donations to the Quebec Wing of the Liberal Party of Canada, to pay employees who performed no work for the hiring agency, and so on. The overpayments clearly were intended to benefit the Liberal Party and extensive steps were taken to keep the program secret and to bypass standard contracting procedures and campaign financing laws. The program was run out of Public Works Canada although it was supervised directly by the Prime Minister's Office and involved at least five Canadian Crown Corporations, including Canada Post, VIA Rail, and the Business Development Bank of Canada. Virtually everyone involved within government was a political appointee of Chrétien (Clark 2004; Commission of Inquiry Into the Sponsorship Program and Advertising Activities 2005; Leblanc 2005). In some cases hefty commissions were paid to the private agencies simply to hide transfers of money between governmental bodies, and roughly \$100 million dollars was expended for little or no public gain.

This occurred within a highly charged political environment leading up to the failed 1995 Quebec referendum on separation. Funding for the projects increased significantly after this referendum failed by less than one percent of the vote. To be clear, the Cabinet-approved policy was for Canada to market itself within Quebec, one of its provinces.

Martin referred to this scandal as a "serious breach of public trust"(Clark and Leblanc 2004) while Justice Gomery noted among the 14 Gomery Commission findings that,

- program managers circumvented contracting procedures and reporting lines;
- an absence of transparency existing in the administration and contracting process;
- virtually all public servants were reluctant, for fear of reprisal, to go against the will of managers who had access to senior political officials;
- deliberate actions were taken to avoid compliance with a host of existing laws and policies;
- five private agencies made legitimate and unrecorded political donations with the expectation of receiving lucrative sponsorship contracts, and did receive these sponsorship contracts;

- a “culture of entitlement” existing among the relevant political and bureaucratic officials, including the receipt of monetary and non-monetary benefits; and
- an across the board refusal by Ministers, the Prime Minister’s Office, and public servants to take responsibility for the program mismanagement (Commission of Inquiry Into the Sponsorship Program and Advertising Activities 2005: 5-7).

With the exception of one retired public servant who benefited financially from the sponsorship program after he retired from working with this program, the individuals involved were highly politicized and the critical error on the part of public servants was their almost blind obedience to the political officials in charge of the program. This program was clearly a top priority for Prime Minister Chrétien’s government and public servants chose to stay out of the way rather than loose a battle with the PMO.

The tool of contracting out is closely associated with the NPM, but in the case of this scandal it would appear that the standard public service values were trumped by political power rather than by NPM values. In fact, Canada had good policies in place to assure that governmental contracts were awarded on a fair and competitive basis, and these policies were simply violated under direct political supervision throughout the course of the Sponsorship Program. If anything, NPM would support the need for the competitive awarding of contracts and so NPM values were not followed. Neutrality, however, is a core public service value that was ignored.

Canada has a strong public service, but throughout its history it appears to have bent over backwards to support the government of the day with its highest priority items. The PMO can assert tremendous power on a limited number of issues, almost in exchange for staying out of the way on the vast array of other issues. Evidence that such patronage-based scandal predates the NPM goes back to Prime Minister Sir Wilfrid Laurier who took power in 1896. When asked by a newspaper editor to avoid the patronage of Conservative Sir John A. Macdonald, Laurier replied, “It is the business of governments to stay in office”(Simpson 2004). The secret network of contracts evident in the sponsorship scandal was simply a newer way to accomplish an old task.

The Crown Corporations, where the competitive model is embraced even more, have more flexibility and more secrecy (i.e., private sector values). Five of these organizations were involved in the scandal specifically because they could move money around with less oversight. Nevertheless, the CEOs are political appointees of Chrétien and were ultimately fired or asked to resign for their roles in this scandal. One protection built into this system is that the appointments are for five-year terms, thus ensuring that the damage of a bad apple is limited. Appointment processes, however, are one area that has undergone extensive scrutiny since the Gomery Inquiry and policy changes have been made. The next case also involves a figure in one of these federal Crown Corporations.

Ousting of David Dingwall as President of Royal Canadian Mint

The sponsorship scandal, large as it loomed for several years in Canadian political life, probably would not have dominated the election if other perceived scandals had not reinforced the view

that the Liberals were corrupt and had developed a *culture of entitlement* from too many years in power. The resignation of David Dingwall as President of the Royal Canadian Mint provides one such example that was politically marketed by the opposition parties to reinforce the belief that the Liberals had this entitlement mentality. In all, seven heads of federal Crown corporations left for reasons other than an expired five-year term from December 12, 2003, when Martin became Prime Minister, through September 28, 2005, when Dingwall resigned. All were Chrétien appointees and most left with some hint of scandal in the air. Several were fired in relation to mismanagement of the Sponsorship Program (Delacourt 2005).

On September 28, 2005, Dingwall resigned from his \$277,000 a year position at the Royal Canadian Mint amid allegations of excessive office expenses at the mint, failure to register as a lobbyist when working for Lorus Therapeutics, and working as a lobbyist for Bioniche Life Sciences on a contingency basis, which is against federal program regulations (i.e., he allegedly received a \$350,000 success fee to help them obtain \$17.2 million in federal financing). The lobbying allegations were for actions that would have occurred before he was at the mint.

This scandal rapidly mutated from asking why he felt entitled to expense a \$1.29 pack of gum on a business trip for the mint, to asking why Dingwall was evading testifying to the House of Commons public accounts committee, to focusing on his activities as a lobbyist before Chrétien appointed him to the mint, and finally to asking why the Liberal government was paying him a severance package when he voluntarily resigned. “What skeletons were they hoping to keep buried?” was a common inquiry during Question Period, in part because Dingwall had been Chrétien’s Minister of Public Works, had promoted Chuck Guité to run the Sponsorship Program, and was accused of having received direct financial benefits from the program after he lost his seat in the House of Commons in 1997. During the Gomery Inquiry, Guité famously recalled Dingwall extending his hand and saying “Welcome aboard. You won’t rat on them, you won’t rat on us”(Wente 2005).

As it turned out, an independent audit of his office expenses cleared him of any wrong doing at the mint, confirmed his statement that he was never reimbursed for a pack of gum, and showed that 74% of the office expenses were for the salary and benefits of the four people who worked in the office (Cheadle 2005). After reviewing all the office expenses for his 30 month period at the mint, he was asked to pay back roughly \$6,700, most of which was attributed to clerical payroll errors outside of his control. In addition, Dingwall was praised for turning around the financial condition of the mint and posting profits after several years of losses (Sallot 2005).

An arbitrator awarded him a \$417,000 severance package, on top of his government pensions, after determining that he had performed his job well and was clearly pressured to resign from the mint for political reasons leading up to an election. The arbitrator concluded the resignation was “manifestly involuntary” because “There was no apparent interest in determining whether the allegations had a basis in fact before he was required to decide anything”(Sallot 2006).

After Harper became Prime Minister, the “skeletons in the closet” questions continued because the conservative government redacted most of the details of 487 pages of correspondence identified by the Privy Council Office as being related to the resignation and the decision to award a severance package (Sallot 2006). This decision was criticized as continuing the lack of

transparency at precisely the same time that the government's key legislative agenda was to get a new Federal Accountability Act approved through the Parliament. One is left to ponder either a vast conspiracy that would take the sponsorship scandal back into the conservative Mulroney years or unsavory e-mails and letters, written by opposition Members of Parliament, that were best left buried with a Liberal scandal when they quickly became conservative Ministers.

Again, this reads more like a standard political scandal from any period of time than one that was somehow created by a shift to NPM values. In fact, the expense audit at the mint showed exceptionally strong policies that were well implemented. If politicians were not driven by the media mentality to make statements in time for the evening news, this particular scandal may not have erupted at all. Partisan appointments for the leaders of massive Crown corporations was uncovered as the true challenge in this situation, and there are some hints of change in this area including hiring a search firm to find replacements for several Crown corporation executives.

The traditional public sector value of bureaucratic responsiveness to political institutions has carried over into the establishment of Crown corporations, where government most clearly should be "run like a business" because the business model has been explicitly agreed to as the appropriate method for governmental involvement. In this case, the politics of friendship and ideology may trump hiring leaders with the best business acumen. President Andrew Jackson's rotation in office principle from the 1830s (White 1954) even applies to Canadian Crown corporations because leaders are appointed for five-year terms that are seldom renewed even when performance is stellar.

LINKS TO DEMOCRATIC REFORM MOVEMENT

While these two examples provide some support that contracting out may provide fertile ground for financial mismanagement and even explicit corruption, they do not support the idea that market forces or private sector values as embodied in the NPM are the source of such scandals. On the contrary, one former Crown corporation leader stated that "Much of this country's growing cynicism about politics can be traced to a deep-rooted feeling that our governments are not abiding by rules they have established for those they were elected to govern"(Warren 2005). The rule of law, or fairly applying the law to everyone including politicians and public servants, is a core public sector value in any democratic setting. If anything, these scandals provide evidence that the people are the problem rather than the system (Stackhouse 2006; Travers 2005).

The lack of leadership in handling specific problem cases has led to widespread calls for democratic reform, including overhauling the electoral system, creating more power for individual parliamentarians (presumably at the expense of the Cabinet and/or Prime Minister), creating an elected senate, and incorporating more citizen involvement (Mingus 2006). Space does not allow for a complete consideration of democratic reform efforts in Canada; however, it is helpful to note that British Columbia, Prince Edward Island, New Brunswick, Ontario, and Quebec have all initiated democratic reform efforts in the past decade. These efforts have looked substantially different in each province, although Ontario is implementing an effort similar to the

one in British Columbia. The federal government is paying attention to these regional efforts and is largely a follower in terms of such institutional reforms. Everything is on the table, however, including shifting away from the current single member, first-past-the-post electoral system.

Oddly enough, the end result *may be* pushing public management in Canada away from the New Public Management and toward a more traditional system of administrative accountability within a democracy. This would be particularly ironic as a conservative government took control of the House of Commons in February 2006. One of their key campaign issues was to pass a comprehensive Federal Accountability Act, which was accomplished as this omnibus bill received Royal Assent on December 12, 2006. This act takes a rather traditional view of ethics and accountability, including focusing on an ethics commissioner, campaign finance, lobbyist registration, reporting responsibilities of the public service to Parliament, and so on. It fails to focus on value differences between the public and private sector models or to discuss where each set of values may be appropriate within government.

Clearly the recent scandals are not the only reason for the democratic reform efforts in Canada, which have also been prodded on by some quirky provincial election results, but they do add greatly to the perceived legitimacy crisis. While Canada is far from a corrupt society, its Corruption Perception Index has been increasing bit-by-bit almost every year since Transparency International started this global index in 1996 (see www.transparency.org). Legitimacy and scandal do not fit hand in hand. No evidence is found in these two recent cases that NPM and scandal go hand in hand either.

Justice Gomery suggested that key “fixes” in the sponsorship scandal would be to develop a new depoliticized appointment process for Deputy Ministers to shield them from the political winds that drove public servants to follow the lead of the government of the day as well as to split the role of the Clerk of the Privy Council Office, so that the senior Canadian public servant would not also effectively be the Deputy Minister for the Prime Minister. The Harper government rejected these changes in favor of maintaining the indirect link of Deputy Ministers to Parliament through their appropriate Ministers (Galloway and Clark 2006).

CONCLUDING COMMENTS

A growing uneasiness with the New Public Management exists among public administration scholars as evidence accumulates that suggests the values and integrity of democratic governance may be incompatible with the NPM. This article has attempted to provide a general and somewhat speculative discussion that increased scandal and corruption may be one aspect of this incompatibility, which is described herein as a clash of core values. One reason for this is described well by Ronald Moe and Robert Gilmour, “The distinguishing characteristic of governmental management, contrasted to private management, is that the actions of government officials must have their basis in public law, not in the pecuniary interests of private entrepreneur and owners or in the fiduciary concerns of corporate managers” (Moe and Gilmour 1995: 242).

They also explain that the hierarchical executive in government is to ensure accountability for managerial actions to political leaders, rather than to promote control over employees. Unfortunately, unwavering support for political leaders and their appointees appears to have been the problem in the scandals discussed in this paper. My dozens of interviews in 2005 and 2006 with Members of Parliament, senior public officials, and staff at the Privy Council Office and Prime Minister's Office straddled both sides of the federal election discussed in this paper, where the government switched from a Liberal Party minority government to a Conservative Party minority government. During this research, only one situation was uncovered where substantial financial fraud existed on the part of public servants without any prodding from the political level (Tuck 2003).

While this paper has laid out the concept of a core value conflict between NPM and representative democracy, it is fairly speculative. Little support has been found for the common theme in the public administration literature that NPM will corrupt the democratic approach. One challenge, however, is recent research suggesting that Canada has not done a very good job implementing the NPM approach and even that the Canadian public service has protected itself from the blunt of such reform efforts as attempted by Prime Ministers Mulroney and Chrétien (Pollitt and Bouchaert 2004).

To the extent that NPM is about contracting out or contracting in (i.e., contractualism)(Cooper 2003; Lane 2000), it is quite likely that this approach has only been minimally implemented in Canada. The examples do show, however, that contracts have been a tool used to evade transparency. Evidence that contractualism has been used successfully in Canada does exist (Bilodeau, Laurin, and Vining 2006). Broader views of NPM as marketisation or as outcomes-based management (Box 1999; Considine and Lewis 1999; Walsh 1995) might also lead to an optimistic conclusion with regard to the extent that this approach has been implemented in Canada. They appear to have been used even less than contractualism. If true, then studying this topic in Canada might be less useful than in New Zealand or Australia, for example. To the extent that NPM has not actually been implemented extensively in Canada, in spite of political rhetoric and numerous public sector reform efforts, than any recent scandals might be attributable to factors that have not been discussed in this brief paper.

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