COUNTERACTING AGENCY FAILURE IN THE PUBLIC SECTOR THROUGH LEADERSHIP.

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An alternative to contractual solutions to agency problems is suggested in the literature on leadership in which leaders are often claimed to be able to steer historical processes in the direction they intend through the distinctive influence they have on the intrinsic motivation of their followers. We evaluate Casson's agency theoretic model of leadership as "moral manipulation" which under certain conditions can be exercised at lower agency cost than monitoring. We then make a case for conceiving leadership as the development of culture of passion to advance the leader's quest through the engagement of followers in "interaction rituals" in which their passion is either recharged or their lack of passion exposed. The impact the emergence of such cultures can have on the policymaking community is examined and a case is made for the preservation of a counter-culture of "public interest" in the policy advisory ranks of the civil service.

I  INTRODUCTION

Policy theorists who have been influenced by economic theory in general, and public choice, the "new institutional economics" and agency theory, in particular, have a tendency to view the public sector in a representative democracy as being constituted by an interlocking series of principal-agent relationships. For example, Moe (1984, 765) observes that "the whole of politics can be seen as a chain of principal-agent relationships, from citizen to politician to bureaucratic superior to bureaucratic subordinate and on down the hierarchy of government to the lowest-level bureaucrats who actually deliver services directly to citizens". This view leads to an approach to public sector reform which seeks to reduce the scope for agency failure in these relationships.

Agency failure basically arises because agents lack the incentive to act in their principal's interest. The most prominent remedial approach to this problem has been a contractualist one. Perhaps the most radical application of this approach has been followed in New Zealand, although the wide range of contractualist instruments
introduced in this country have mainly sought to govern relationships in which bureaucrats function as agents either of elected officials, funding agencies or civil servants placed further up the hierarchy of government. These instruments have included performance agreements between departmental heads and their portfolio ministers, contracts between funders and purchasers, purchasers and providers, funders and regulators, and so on (Boston 1995). Although the legal status of these contracts varies, with only some being legally binding, their general aim has been to specify as precisely as possible the requirements of the principal and so ensure that agents can be held to account for their performance.

This contractualist approach can often only be followed after a major restructuring of the public sector has occurred with large scale bureaucratic structures being broken up into single-objective, trackable and manageable units making it easier to devolve managerial responsibility and establish clear lines of accountability. Agents can then be held accountable to single rather than multiple principals, resources can be matched to defined tasks, and agency failure can be addressed by shifting from controlling the input to monitoring the output of these organizations. This managerialist emphasis on organizational restructuring and giving managers "the freedom to manage" would seem to be an important aspect of what Hood (1991, 3–4) calls the "New Public Management"; that is, "the set of broadly similar administration doctrines which dominated the bureaucratic reform agenda in many of the OECD group of countries from the late 1970s" and appeared to prepare the way for New Zealand style contractualism.

However, this current focus on contracts and restructuring ignores the possibility that leadership may constitute an alternative solution to the problem of agency failure. The burgeoning economic literature on agency and government failure does not seem to have paid much attention to the long tradition of inquiry into the phenomenon of leadership in the humanities, in certain branches of the social sciences, and in studies of management and organizational behaviour which have been of both an academic and popular nature. This neglect is hard to justify once it is recognized that the
transformation of principal-agent relationships into leader-follower relationships may mitigate many of the agency problems highlighted by economists.

This paper will briefly consider the central claims of the leadership literature, pointing out the degree to which they impinge on the concerns of agency theory and "new institutional economics". It will then consider Casson's (1991) theory of leadership which, to our knowledge, represents the only contemporary attempt to address the role of leadership within an agency-theoretic perspective. A theory of leadership which presents leaders as striving to develop a culture of passion rather than a "high-trust" culture within their following will then be advanced as an alternative to Casson's theory. This latter theory will not only show how leaders can reduce agency failure, but will also highlight the negative effects of building a culture of passion. The issue of whether relationships between politicians and civil servants should be transformed into leader-follower relationships will then be considered by way of conclusion.

II. THE CENTRAL CLAIMS OF LEADERSHIP THEORY

Two claims have repeatedly been made about leadership in the literature which addresses this subject. These claims relate to the significance and distinctiveness of leadership as a social phenomenon.

The significance of leadership.

The first claim is that leadership plays a significant role in catalysing intentional historical transformation in institutions and social groups. Leaders are accordingly claimed by both themselves and their followers to be authentic agents of social progress, improving the performance (according to their own criteria) of the societies, organizations or groups which look to them for leadership. A substantial literature has developed which has been directed towards authenticating the claim that improvements in the performance of individuals and organizations can be attributed to leadership. As Bass and Stogdill (1990, 6) report "countless surveys can be cited to support the contention that leaders make a difference to their subordinates' satisfaction and performance...[and]...in whether their organizations succeed or fail". Although most of these studies have focussed on business organizations, a number have advanced evidence
for the quality of leadership being the "x-factor" accounting for variations in indicators of the performance of schools (Sylvia and Hutchison 1985), churches (Smith, Carson and Alexander 1984) and military units (Gal and Manning 1984).2

The claim that someone is a leader or is able to exercise leadership in a particular social setting is thus a claim that they are able to steer the processes of change in this setting in a direction which is broadly consistent with the leader's intentions. This does not mean that the intentions of leaders must be completely clear, fixed and unitary, that they cannot be subject to any process of development. Rather it means that the development of intentions will occur within the boundaries of an identifiable "quest".

The concept of a quest.

A quest can be defined as the common pursuit which engages the attention and then elicits the commitment of both leaders and followers. It binds them together into an influence relationship in which followers look to their leader to influence the direction of the quest and the commitment followers are expected to make toward its realization by "speaking for them" in interpreting its nature, purpose and significance. Thus, although followers may all have a "voice" in this interpretative process, they will look to the leader to have the "final word", to function as the key "hermeneutical agent" of the group, and to suggest, direct, instruct and advise courses of action which contribute toward the realization of the quest.

Quests are typically not directed toward a fixed objective but rather toward a potentiality in the process of realization. While no quest could be started without some partial conception of what it is moving toward, it is during the course of participation in the quest that leaders and followers come to an increasing understanding of its destination (MacIntyre 1981). This is likely to be apprehended in the form of a "vision" – a shared image of a worthwhile and possible future state – which the leader will articulate and focus the attention of followers upon.

The visions leaders seek to realize through their quests will not always refer to some future state of the world. They might also refer to some ideal process (Terry 1993). "Process visions" will typically focus on the advancement of a particular value or
cluster of values. Hood (1991), for instance, has observed that quests for bureaucratic reform have typically been focussed on the realization of one of three possible clusters of values which "relate to conventional and relatively narrow ideas about good administration". These include (i) the "sigma" family of values which emphasize economy and frugality in resource use, and which can be pursued through reforms which restructure public agencies so that resources are more closely matched with narrowly defined tasks and functions; (ii) the "theta" family of values which underly a commitment to honesty and fairness and the prevention of distortion, inequity and abuse of office through the routinization of appropriate procedures and the delineation of the duties attached to different roles; and (iii) the "lambda" family of values which focus on enhancing the resilience of public agencies through a quest to transform them into "learning organizations" capable of adapting rapidly and avoiding system failure in the face of unforeseen threats, challenges and crises. Although Hood (1991) accepts that "these three sets of mainstream administrative values overlap over some of their range", he stresses that the committed pursuit of any one will eventually make public agencies less capable of realizing the others. As a result of their idealistic tendency to give "lexicographical priority" to particular values, the quests of leaders may divert attention away from the trade-offs between them and conflicting values which may be pursued through rival quests. Goodin (1995, 13) has observed that: The claim that leaders can catalyse intentional processes of change can be authenticated by comparing actual historical changes with those pursued by leaders who engage followers on developing, but nonetheless, coherent quests. It is in this sense that Moon (1995) sought to authenticate the claim that the leadership the Thatcher government exercised in introducing policy innovations in the areas of industrial relations, privatization and inter-governmental relations needs to be taken into account in explaining the shifts in policy direction during her incumbency. Moon argues that while there was a rolling agenda in which goals and means were refined in the experience of governing, a "sense of innovative purpose" nevertheless pervaded government activity in these areas giving rise to policy innovations which "were not haphazard nor explicable solely by environmental
or other factors in policy choice" but "principally attributable to the Thatcher government".

The distinctiveness of leadership.

The second major claim in the leadership literature is that leadership is a distinctive form of social influence in that leaders seek to shape the culture of a following to strengthen the intrinsic commitment of its members to strive to advance the leader's quest. Leadership can accordingly be distinguished from other directive or "steering" activities, such as management, in that, while leaders may be in a position to make the structure of rewards and sanctions within a group contingent on individual performance, they cannot be said to be exercising leadership if they choose to exercise this prerogative of their position. Less obviously, leader-follower relationships can be distinguished from those arising from the superior expertise or knowledge of one party such as teacher-pupil, adviser-client or doctor-patient relationships. Leaders may be in a position to gain access to and process more information than their followers but, in exercising leadership, they are not simply attempting to change their behaviour by supplying them with information they do not have. Leadership more essentially involves influencing the culture of a following so that the intrinsic motivation of followers is strengthened through processes of "internalization" and "identification" (Kelman 1958).

Leaders influence followers through internalization when they amplify values and beliefs that are shared by both leaders and followers. These values and beliefs will relate to the worth and possibility of the future states or ideal processes they are striving to realize, and their amplification will enhance follower commitment to strive toward their realization. Leaders influence followers through identification by consciously engaging in behaviours which reinforce and strengthen the sense of personal identification and loyalty which followers place in them so that followers can be more intrinsically motivated to make and sustain commitments as an expression of their belief in the personal worth of their leaders. It is difficult to empirically separate these two types of social influence but some writers (Downton 1973; Howell 1988) have argued that
"inspirational" leadership can be distinguished from "charismatic" leadership in that it gives primary emphasis to influence through internalization rather than identification.

The impact leaders have on the intrinsic motivation of followers through both processes has been elaborated in theories of transformational leadership which follow Burns (1978, 3) in distinguishing between "transactional" leaders who "approach followers with an eye to exchanging one thing for another" and "transformational" leaders who seek to satisfy higher needs in terms of Maslow's need hierarchy and engage the full person of the follower. These theories emphasise the role of leadership in the transformation of preferences, both those of the leader and those of the followers, although leaders are typically distinguished because they influence more than they are influenced. The leadership role is that of "an educator, stimulating and accepting changing world views, redefining meanings, stimulating commitments" (March and Olsen 1984). This essentially amounts to a claim that the primary object of a leader's influence is the culture of a following - the set of values, beliefs and norms that members share in common.

Leadership and agency failure.

If principal-agent relationships can be transformed into leader-follower relationships in which followers are intrinsically motivated to advance the leader's quest, then there may be significant scope for reducing the types of agency cost identified by Jensen and Meckling (1976). These include: (i) the cost of structuring the agreement between the principal and agent so as to require the agent to perform the desired service as a proxy for the principal; (ii) the monitoring and bonding costs incurred in enforcing this agreement; and (iii) the residual losses incurred when the negotiating, monitoring and bonding costs do not ensure that the agent acts as a perfect proxy for the principal. Significance savings in these costs may occur if principals forego a contractual approach to governing their relationships with agents, and instead choose to exercise leadership by developing a distinctive culture which transforms them into followers who can be trusted to observe norms which govern their intrinsic motivation to carry out the tasks and functions delegated to them. The significance of this moral and cultural dimension to
agent behaviour is only alluded to in new institutional economics (Coase 1937; Hodgson 1988; and Williamson 1985) and agency theory. It has however been transported to centre stage in the "economics of business culture" formulated by Casson (1991) who assigns leadership a key role in shaping the culture and strengthening the intrinsic motivation of individuals working within groups, communities and organizations with distinctive cultures which impinge on their economic performance. Casson's agency-theoretic treatment of leadership must now be considered since it would seem to be relevant to understanding a significant determinant of the performance, not just of business organizations, but also of public agencies.

II. CASSON'S THEORY OF LEADERSHIP

Casson does not examine how a person comes to occupy a position of leadership in a social group. He simply assumes that a social division of labour has taken place so that one person is in a position to autonomously set the objectives of the group, to coordinate the activities of its members and to decide how to motivate them to commit themselves to the degree required to fulfil the tasks and functions allocated to them. He is thus examining a situation where principals may try to transform the relationships they have with their agents into leader-follower ones through the attempted exercise of leadership.

Monitoring vs "moral manipulation".

Casson's theory comes closest to orthodox economic theory in the way he models the leader as an utility maximizing agent. He assumes that the objectives pursued by leaders are autonomously chosen and perfectly articulated. Since the problem of defining the objectives of the group is assumed to be solved, the primary concern of leaders will be with the extent to which the actual performance of the group in terms of these objectives falls short of the performance which could be expected if all its members fulfilled the group norm for moral commitment. This deviation of actual from potential performance will thus be related to the "crime rate" of the group. Casson argues that leaders can attempt to reduce this crime rate through either (i) more intensive monitoring of the individual performance of group members, or (ii) more intensive "moral
manipulation" through the use of "moral rhetoric", addressed to the group as a whole, with the aim of establishing a particular group norm for moral commitment which indicates the extent to which members can expect to place their trust in one another. For a "rational leader" this choice will be determined by the relative transactions costs of each option. Casson assumes that a rational leader will know the costs associated with the monitoring option, and will be able to compare them with those associated with an "optimal intensity of manipulation". The focus of Casson's analysis is therefore on the determination of this optimum.

The optimal intensity of manipulation.

To show how this optimum is determined, Casson has to specify the way in which leaders can manipulate followers. He proposes that the utility function of a follower will include both material and emotional components, with the parameters of the latter being subject to influence by the leader. Specifically, the guilt a follower associates with failing to comply with the group norm for moral commitment will be affected by a combination of his or her innate moral sensitivity and the "intensity of manipulation" applied by the leader. It follows that even if a follower faces a material incentive to break the group norm, this person will still comply with it, if the disutility of guilt exceeds utility associated with such material incentives.

Now, if each follower faces a given material incentive to break a commitment to the group norm, then there will exist a threshold intensity of manipulation, below which even the most morally sensitive follower does not experience sufficient guilt to make keeping the commitment worthwhile. The group crime rate will only start to fall if the intensity of manipulation is raised above this threshold. Casson argues further that, once this threshold is passed, the benefits of raising the intensity of manipulation will be subject to diminishing marginal returns. To justify this assertion he must assume that there is a uniform distribution of moral sensitivity across followers so that, as the intensity of manipulation rises, its impact will be felt more and more by people who have already decided to comply with the group norm, and less and less by the remainder of relatively insensitive "hard cases" for whom non-compliance is still an option.
There will be fixed and variable costs to raising the intensity of manipulation which will depend on the charisma of the leader, the cost of media services, and the level of trust in the culture in which the group is imbedded. While these costs will vary between groups, it is assumed that each leader will know the constant marginal cost function which applies the particular group concerned. Since the leader will also know the shape and position of the declining marginal benefit function, this person will be able to set the optimal intensity of manipulation where marginal benefit equals marginal cost. This optimum will be associated with a particular crime rate, the cost to the leader of which, can be added to the total costs of achieving an optimal intensity of manipulation to ascertain whether manipulation is less costly than monitoring.

Predictions.

Casson is able to derive a number of predictions from his model of rational leadership. In particular, he is able to identify situations which are likely to affect the choice between monitoring or manipulation. Monitoring is likely to be favoured where leaders lack charisma or face high media costs, or where followers are subjected to hazardous or strenuous work in warm climates since, in all these cases, the costs of manipulation are likely to be high. Manipulation may, however, become more appropriate where the performance of followers is difficult to measure. In intellectual work or in the "craft" and "coping" activities performed in the public sector where work tends to be "unobservable" (Wilson, 1989), leadership would seem to be an attractive option.

Extensions.

Casson extends his basic model in a number of ways. Perhaps the most important extension is in the way he models leadership in prisoner's dilemma situations where followers face a material incentive to cheat. This incentive may, however, be outweighed by the emotional payoff to honesty provided that individuals are optimistic that their partners will be honest. An important task for the leader is therefore to establish a critical level of optimism about the honesty of the group so that morally committed followers can be encouraged to engage in a process of encounters with each other which leads to an
equilibrium of mutual honesty. Casson also extends his model to examine the conditions under which leadership can be delegated to intermediaries as team leaders, and to show how rational leadership can overcome the free rider problems associated with the provision of collective goods.

Theoretical parallels.

Casson's theory is not only framed in a way which directly addresses the concerns of agency theorists and new institutional economists. It also has affinities with a number of important recent developments in the rational choice tradition. In the first place, Casson's concept of leadership as involving the development of a high-trust culture has much in common with the literature on the "emergence of norms" (Ullmann-Marglit 1977; Hardin 1982; Elster 1989) and recent work on social custom (Akerlof 1980; Jones 1984; Romer 1984) which both take as their point of departure the modern theory of repeated games with its focus on the strategic value of reputation-building (Axelrod 1984; Kreps and Wilson 1982). These approaches typically use game theory to analyse "strategic" commitments in the context of a repeated series of pairwise encounters between instrumentally rational individuals. In these repeated games individuals have an incentive to engage in reputation-building behaviour by limiting their future freedom of action through pre-commitment provided that there is a non-zero probability of the game continuing indefinitely. This proviso is crucial since players will have no need to carry over reputation in the last play of the game and any incentive they may have to keep commitments can be removed, through the logic of backward induction, if they are assumed to know that the game will definitely end. Casson (1991, 16) however, avoids the complexities involved in addressing this problem by proposing that "individuals who are morally committed can recognize the potential for moral commitment in others" so that "trust in other people need not, therefore, be based on a complicated calculation of how economic man would respond to a particular incentive structure, but rather on a simple judgement as to whether one is dealing with an 'ethical man' rather than an 'economic man'". At issue is the nature of trust. Can it be treated as a commodity or asset and, if so, what type of commodity or asset is it? There is a multi-disciplinary interest in this
issue as Gambetta's (1988) edited collection indicates. Crucial to Casson's scheme is the treatment of an individual or group reputation for trustworthiness as a general asset which can affect the capacity of individuals to engage in a wide range of transactions. He views leadership as potentially involving the "empowerment" of individuals since it enables them to engage in a range of transactions which are dependent on there being a minimal level of trust between parties.

In highlighting people's capacity for moral commitment and trustworthiness Casson's theory is another instance of the seminal impact of Sen's (1977) treatment of the role ethical "metapreferences" play in shaping rational behaviour. Casson also demonstrates that by treating emotion as an element of preference structure it is possible to systematically bring the "moral dimension" (Etzioni 1988) and relationships of social influence, such as leadership, within the reach of optimising models based on an orthodox economic concept of rationality, without making the ad hoc assumptions which plague less rigorous alternative explanations.

Problems.

We would submit, though, that there are a number of problems with Casson's approach. In the first place, if trust is a commodity, and followers strive to gain and keep this commodity then the authenticity of a follower's apparent intrinsic motivation could be questioned. The claim that leadership essentially involves influencing the intrinsic motivation of followers can therefore be contested from a "social exchange" perspective (Blau 1964). From this perspective the leader-follower relationship only differs from other exchange relationships in terms of the commodity which is being exchanged. Cultivating the trust of a leader may be seen as a means toward acquiring greater status and even as a route toward achieving future leadership. However, individuals may, conceal this extrinsic motivation from leaders and behave in a way which signals their personal identification with them and internalization of their values. How then can
leaders distinguish between authentic followers and those who are just "faking it" or engaging in "preference falsification" (Kuran 1990)?

Secondly, Casson does not seem to consider the possibility that trust may be a specific rather than a general commodity or asset. If trust is specific to a particular relationship, in this case one between a leader and a group of followers, then the loss of trust which occurs when group norms are flouted may not damage the deviant's capacity to enter into other trust-based relationships. In many cases individuals will not stake their general integrity and reputation so completely on their fidelity to specific commitments. In particular, when followers submit to group norms of commitment, they are signalling that they can be trusted only for so long as they sustain a belief in the worth of the leader and quest concerned. As Hirschman (1982) has pointed out this type of belief can be eroded through the accumulation of a variety of disappointments (for example, with oneself, the leader, the quest, and other followers) until it is revised in a way which legitimates an individual's decision to "disengage" from the group and its quest.

Thirdly, it would seem that Casson's emphasis on guilt as the emotion which leaders primarily seek to influence is misplaced, since guilt essentially involves a "disappointment with oneself" which can accumulate, along with other disappointments, to erode the belief which followers have in their capacity to advance a particular quest. This emphasis would seem to be at odds with his assertion of the "empowering" quality of leadership.

Finally, in seeking to show how effective leadership can improve the economic and ethical performance of a social group, Casson has tended to obscure some of the negative aspects of this phenomenon. The next section will present an alternative concept of leadership which makes a more balanced evaluation of its impact on principal-agent relationships possible.

III. AN ALTERNATIVE CONCEPT OF LEADERSHIP: BUILDING A CULTURE OF PASSION TO ADVANCE THE LEADER'S QUEST
Mark Casson has made an important contribution to agency theory by showing that the impact of leadership on a group's culture - its set of shared beliefs, values and norms - can mitigate agency failure. We would, however, take issue with Casson over the nature of the beliefs, values and norms which are specifically shared by a following and influenced by its leader. These do not primarily relate to a general set of moral principles. Rather they are more likely to be specifically concerned with the worth and possibility of the leader's quest. In short, leaders and followers can be conceived as being bound together by a shared hope in a specific quest.

The hope placed in quests.

The claims that are typically made about a leader's quest are often no more than expressions of hope in this quest. They are based on the beliefs that the quest will change the history of a particular social setting and of the lives of its participants in a direction which is (i) neither inevitable nor impossible and (ii) worthwhile (Sutherland 1989). These beliefs must be held together to supply the necessary motivation to participate in a quest. Unless participants believe that they belong to a group which could reach the critical mass necessary to change history in an intended direction, they may affirm the worth of the quest, but they would not commit themselves to it, since they could not imagine the possibility of their hope in it being realized. On the other hand, unless participants believe that the quest is "worthy of pursuit in a special way incommensurable with other goals we might have such as the pursuit of wealth or comfort or the approval of those who surround us" they may not be "ready to sacrifice some lesser goods for the higher good sought" (Taylor 1985, 135) through participation in the quest even if they believe its realization is possible.

The claims about a following.

While sceptics may never be convinced by claims which are nothing more than expressions of hope, the claims which are made about a leader's quest will typically be backed up by claims made about the strength of this person's following. The stronger the following a leader is claimed to have, the greater will be the weight that is given, even
by non-followers, to claims made about his or her quest. The claims which are made about a leader's following will not only refer to its size as a proportion of the community over which the leader is seeking to exercise leadership. They will also refer to what the followers share in common, what distinguishes them as a group from outsiders. At the very least, it would be expected that followers should share the same hope as the leader, they would believe claims that the quest is possible and worthwhile, and that their willingness to let the leader "have the final word" in "speaking for them" would lend a greater weight to these claims when they are articulated in a public space of questions concerning their authenticity.

The passion of authentic followers.

However, the unwillingness of the members of a group to dissent when a leader claims to be speaking on their behalf may not, by itself, be sufficient to indicate that they are followers of this leader. They must also possess and express a passion to advance the leader's quest. Such a passion would seem to be the distinctive mark of an authentic follower. No one could have this passion unless they tacitly believed claims that the quest is worthwhile and possible. A follower with this passion can be viewed as someone who has resolved the issue of the authenticity of these claims and now has his or her attention focussed on striving to make contributions of time, effort and wealth which advance the quest in the direction of the leader's vision. This passion is perhaps the most important source of their intrinsic motivation to advance this quest. It not only provides a boundedness and common focus to the following as a group, but also, to a degree, constitutes their response to questions outsiders may raise about the worth and possibility of their quest. The shared passion of a following therefore lends weight to the claims a leader makes about their quest.

The significance of passion-motivated behaviour becomes clearer once the bounded rationality and scarcity of attention of human agents is taken into account. There is a limit to the number of issues individuals can attend to at any time. Moreover, they cannot allocate their scarce attentional capacity by calculating the costs and benefits of alternative deployments of attention since this type of utility calculus will divert their
attention from the issues which they must urgently attend to in response to changes in
their environment (Berger 1989). If they are to escape the "tyranny of the urgent" they
require a "focus mechanism" (Simon 1983) which continuously redirects their attention
toward those issues which they judge to be significant. This process will be assisted
when they interact within a culture characterized by a passion to advance a particular
quest. Such a culture is likely to foster a "tunnel vision" among its members so that they
collectively focus on striving toward the realization of a particular ideal future state or
process.

Passion and emotional energy.

Perhaps the most immediate indicator of passion is a person's level of emotional
energy. Collins (1993) has formulated a theory in which emotional energy is "the
common denominator in rational social action". According to this writer, people invest
varying levels of emotional energy in their social interactions. High levels of emotional
energy will be reflected in feelings such as enthusiasm and confidence while low levels
are manifested, for example, by apathy and depression. However, in most interactions
the emotional energy of individuals is at a "medium level" which will be unnoticed by
both themselves and those with whom they are interacting. Only people with very high
or very low levels of emotional energy will pass the attention threshold at which their
degree of emotional intensity becomes "empirically visible, both in behaviour (especially
nonverbal expressions and postures) and in physiology" (Collins 1993, 211). We would
suggest that "passion" consists in the high and observable level of emotional energy
which can either draw people toward, or repel them away from, interactions in which it is
generated by participants.

Interaction rituals.

To develop a culture of passion in a following leaders will seek to regularly draw
them together for what Collins calls "interaction rituals" (IRs). These can occur during
the course of their normal working activities. They may also require the deliberate
scheduling of meetings in which followers can collectively focus on the leader's vision,
renew their commitment to its realization, or share and reflect on the experiences gained in the course of striving to advance their quest.

A passion to advance a policy quest can be both a product of, and a resource which can be invested in, these IRs. This "emotional energy" will reach its peak at the climax of a "successful" IR in which the participating group's focus of attention and common emotional mood go through a short term cycle of increase and mutual stimulation until a point of emotional satiation is reached. The interaction will leave each participant with an "energetic afterglow" which "gradually decreases over time" so that individuals have an incentive to reinvest their emotional energy in subsequent interactions. It may therefore accumulate across IRs so that "an individual may build up a long-term fund of confidence and enthusiasm by repeated participation in successful IRs" (Collins 1993, 212). Although Collins does not make this explicit, it would also seem that such a "fund" of passion can be subject to a process of depreciation as a result of the cumulative effect of disappointments experienced with unsuccessful IRs.

**Thresholds for successful interaction.**

A rising level of passion would therefore be produced in a following which repetitively engages in successful IRs. What then are the conditions of success for these interactions? Collins proposes that a common focus of attention and intensity of emotion can only be generated in groups which pass thresholds of (i) "physical density" and (ii) "boundedness of group interaction". The threshold of physical density is passed when at least two persons are close enough for a sufficient period of time to allow these processes to take place. Leaders may seek to achieve this by assembling groups of their followers together in interactions with a density sufficient to ensure that they can be moved by one another's passion. These "gatherings" need not involve a physical assembling. They can be the type of indirect "meetings of minds" which occur in geographically dispersed communication networks. What is important is that they allow scope for each individual's passion to have a contagious impact on the other participants.

The boundedness of the group's interaction is "highest when there are barriers to interacting with outsiders and when the same set of persons is continuously assembled
and reassembled" (Collins 1993, 206). A threshold of boundedness may be passed where leaders foster a culture within which followers are expected to have a passion for advancing their quest. A person who does not have this passion will find it more difficult to interact as a member of the leader's following than Kuran's (1990) theory of preference falsification seems to suggest. It will be hard to "keep up an act", continuously "fooling" other members about their lack of passionate intensity, and even if they succeed in this falsifying strategy, they will derive no satisfaction from a sense of belonging to this group. A culture of passion can therefore function as a selection mechanism screening out those participants who do not believe the quest to be worthy of their passion and drawing into the following those people who are willing to commit themselves passionately to its leader and quest in the hope that it will prove worthy of this commitment. The boundedness of the group may be enhanced over time by the selective effect of this culture.

**Common focus of attention.**

When IRs pass these thresholds of density and boundedness, participants will be able to achieve a common focus of attention. According to Collins (1993, 206) this is "highest when everyone is concentrating on the same thing - the same object or event and when each person is reflexively aware of each other's concentration". Leaders may seek to focus their follower's attention on the issue of whether their interactions are actually advancing their quest. Bennis and Nanus's (1985) conception of leaders as "managers of meaning" would seem to be pertinent in this regard. Leaders direct followers' attention to the point and significance of their actions and interactions and they narrow their evaluation of this point and significance to a simple consideration of whether these activities are moving the quest in the direction intended by the leader. Leaders may be able to create a common focus among their followers through the intensity of their own passion to advance the quest. As Bennis and Nanus (1985, 28) have observed, "these intense personalities do not have to coerce people to pay attention. They are so intent on what they are doing that like a child, completely absorbed with creating a sandbox, they draw others in". A large proportion of effective leader's signals to his or her followers
must comprise signals of their attention to the advancement of their quest since, as Peters
and Austin (1985, 270) found, "it's a matter of the quantity of attention paid to the matter
at hand rather than the quality, odd as that statement may sound".

**Commonality of emotional mood.**

A group focused on a particular object or event is likely to achieve what Collins
called a "commonality of emotional mood" which will reinforce and sharpen its collective
focus. Leaders may try to influence their follower's emotional response to the success or
failure of their IRs in advancing their quest. They may reinforce the positive feelings of
elation, excitement, etc, which arise when the quest is unequivocally advanced. They
may also try to interpret more equivocal outcomes in a positive way. Thus where
followers experience setbacks leaders may try to influence the way they interpret these
experiences - claiming them to be "learning points", "stepping stones" to eventual success
in advancing the quest. Leadership requires a critical awareness of the continued need to
struggle against the accumulation of disappointment which can erode the passion of
followers below the point at which they disengage from the quest (Hirschman 1982).

**Group solidarity.**

Through its mutual build-up of group focus and intensity of shared emotion, a
successful IR will not just produce a passion which can be reinvested in subsequent IRs,
it will also produce "group solidarity" and what Collins calls "collective symbols". The
experience of solidarity which leaders will seek to produce in their following through
their IRs is a collective good, which can only be produced cooperatively and which is not
subject to the free rider problem since individuals get solidarity payoffs only if they
individually "contribute to maintaining a mutual focus of attention and allow themselves
to be drawn into the common emotional buildup; the higher levels of payoff depend
on each sustaining the focus to equal lengths" (Collins 1993, p.209). By sustaining a
culture in which the advancement of their quest is not only a source of passion but also an
object of solidarity for their followers, leaders may avoid incurring the collective
enforcement costs typically associated with detecting and penalising free rider behaviour.

**Collective symbols.**
"Collective symbols" are those items on which a group has focused attention during an IR. They can come to function as emblems of group membership and acquire a value as ends in themselves. To the extent that they have become emotionally charged, these symbols can be evoked in a way which facilitates subsequent IRs, generating a high degree of focus around them. They can also shape individuals' thinking when they are not in the presence of the group.

Numerous writers on leadership have referred to the way the leader's vision functions in these ways as a collective symbol. To the degree that followers have "caught" this vision, they can engage in interactions with their attention focussed on whether or not they can contribute one more step forward toward its realization. The vision can function as a "strategic umbrella" under which specific tactics can be worked out as opportunities arise or barriers appear (Mintzberg and Waters 1985). It can also serve as "an organizing principle or guide to day-to-day decision-making" (Conger 1989).

The skein of problems and solutions intimated in this vision can also become emotionally charged collective symbols. They can be retained by followers over successive IRs, available to be recast in a new form or recoupled in a new way. Thus instead of seeking to solve problems as they arise, followers can become "advocates" for solutions generated by their quest, looking for current problems to which they can attach these "pet solutions" (Kingdon 1984).

The image followers have of the leader or of certain "exemplary followers" can also function as collective symbols. They enable them to "strongly evaluate" (Taylor 1985) their actions and decisions according to whether or not they would expect them to please the leader or to conform to the kind of behaviour an exemplary follower ought to exhibit. Where the advancement of a quest requires the exercise of skill and judgment with respect to means by participants, leaders should be concerned that "autonomous" rather than "habituated" followers should emerge within their following5. The passion they expect of their followers will not be a blind zeal but a persistent focus on seeking the best means available to advance a particular quest.
Comparison with Casson's theory.

This section formulated, in general terms, a theory of leadership as involving the development of a culture of passion to advance the leader's quest. This theory would seem to address the various problems we attributed to Casson's theory of leadership. Firstly, unlike Casson's theory which seems to represent leadership as being another type of exchange relationship, the theory advanced in this section seeks to show how leadership is distinctively concerned with influencing the intrinsic motivation of a following. To participate in their quest followers must interact with the leader and each other. These interactions are intrinsic to the activities they engage in. So too is the passion they generate since it is through such interaction that the passion of leaders and followers to advance their quest can either intensify, or diminish, or their lack of passion be exposed. This dynamic relationship between social interaction and individual passion would seem to underly the processes of internalization and identification which other writers have highlighted as being distinctive to the development of a leader-follower relationship.

Secondly, this theory does not make the same claims about the moral authority of leadership which Casson's seems to. Casson suggests that when a follower falls short of a leader's expectations, the moral authority of the leader is such that this can be both a source of guilt to the person concerned and a signal to others of this person's untrustworthiness. In the theory we have outlined, a follower's "failure" may be attributed to a lack of passion or a lack of skill and resources, neither of which is necessarily indicative of moral failure. Rather than manipulating feelings of guilt among followers, leaders are more likely to focus their followers hopes on a shared "vision" in order to arouse and strengthen within them a passion to strive toward its realization. The negative as well as the positive consequences of doing this should become clearer as we turn our attention toward examining the emergence of leadership and cultures of passion within the community responsible for formulating and implementing public policy.

IV. LEADER-FOLLOWER RELATIONSHIPS IN THE POLICY COMMUNITY
The development of cultures of passion to advance particular quests can frequently occur among the participants in a democratic policymaking process. These cultures can draw together participants from both the "visible cluster" of politicians with responsibility for making policy as well as the "invisible cluster" of policy specialists, consultants, lobbyists, academics and researchers (Kingdon 1984) who seek to advise and influence visible policymakers. In some cases such a culture can be developed within a core government department. This seems to have occurred in New Zealand where the key source of policy advice, the Treasury, has for some time been driven by a passion to advance a quest for greater international competitiveness through policies of deregulation, privatization and organizational restructuring designed to improve the efficiency and accountability of the residual core public sector (Boston 1987; 1991). This passion was shared by certain Ministers of Finance (Roger Douglas and Ruth Richardson in particular) in successive Labour and National Party governments. This mutuality was so marked that some commentators have found it difficult to identify the source of leadership in this culture. Were Douglas and Richardson the leaders of their policy quest, or were they "captured" by senior Treasury officials who have sought to sustain the dominance of a distinct "Treasury line" over policymaking in New Zealand despite changes in government?

However, even where a particular quest comes, for a time, to dominate the policy process, this source of leadership will usually face competition from rival groups of leaders and followers who are striving to steer the policy process in the direction of alternative quests. The struggle between different leaders and their followers for influence over the direction of a policy process can be viewed as a form of "positional competition" (Hirsch 1977) in which particular policy quests can periodically come to dominate the policy agenda. The effectiveness of policy leadership should not just be evaluated according to its ability to achieve an ascendant position so that its quest has, for a time, the greatest influence over the direction of policymaking. It should also be evaluated according to its capacity to sustain a following during the "hard times" when the policy agenda is being dominated by a rival quest.
A counter-culture?

It is unlikely, however, that the policy community will become completely divided up into competing cultures of passion. There is always likely to be a remnant of this community which resists engagement in the quests advocated by passionate leaders and their followers. This resistance will typically arise in groups of participants who share a belief that it inappropriate for them to be motivated by a passion to advance a particular quest. The problem with this type of passion, from their perspective, would be that it can give rise to a "tunnel vision" which makes them less capable of giving proper consideration to values other than those the quest is directed toward realizing. At the same time a passion to advance a quest may diminish their capacity to question or listen to questions about their beliefs in its worth and possibility. This passion may cloud their judgement and inhibit their ability to recognize that the quest may be generating more problems than it is solving.

The idea that the passions can diminish a rational capacity to make a wise judgement between competing values does, of course, have a long history. It is interesting that while contemporary economic thought largely ignores the influence of passion on human behaviour, the "father" of modern economics, Adam Smith, shared with most other Enlightenment thinkers, an intense concern with the distorting effect the passions could have on the human capacity to make rational judgements. This concern was highlighted in *The Theory of Moral Sentiments* in which Smith held the cardinal virtue to be "self-command" – the capacity to make a reflective and calculated assessment of one's interest without yielding to "the Passions which take their origin from the body" or those "which take their origin from a particular turn of habit of the imagination". As Da Fonseca (1991) has pointed out, Smith's stress on self-command springs from the associated view that through the "passions of the imagination", in particular, an "agent's subrational dispositions and motivations" can "powerfully affect his thinking processes and behaviour" (p. 93). Interestingly, Smith did assign the passion to advance a quest by seeking to reproduce this passion in others a prominent place in his list of the passions of the imagination as is evidenced in his statement that: *The desire of being believed, the*
desire of persuading, of leading and directing other people, seems to be one of the strongest of all our natural desires. It is perhaps, the instinct upon which is founded the faculty of speech, the characteristical faculty of human nature" (Theory of Moral Sentiments, Oxford University Press, Oxford, p.336).

The culture of public interest.

A shared belief that a passion to advance any quest should be subordinated to a dispassionate consideration of the "public interest" has traditionally been fostered within the ranks of a career civil service based on the politically neutral "Whitehall" model. This belief is an important part of the "public service ethos" (Martin 1998, 1991) which has been cultivated, in particular, among the senior civil servants who offer advice on the formulation and implementation of public policy to elected office holders.

Politicians and civil servants.

Rose (1987, 409) has portrayed the "ship of state" as having "one tiller but two pairs of hands that can give it direction, one belonging to party politicians and the other to higher civil servants". Clearly both politicians and civil servants have an interest in maintaining a co-operative relationship based on mutual trust and respect. In such a relationship politicians would take responsibility for policy decisions but depend on civil servants to supply them with technical knowledge of government programmes and to offer judgements, based on their collective wisdom and experience, with regard to the probability of their proposals achieving their goals.

This relationship may, however, break down if politicians expect it to become transformed into a leader-follower one along the lines discussed in the earlier section. In this event the interactions between politicians and civil servants are likely to become a source of disappointment to both parties. Even if they pass the "threshold of density", they may fail to pass the "threshold of boundedness" so that the build-up of shared passion described by Collins (1993) can never get started.

This could be because civil servants believe it is inappropriate for them to allow themselves to be motivated by the passionate intensity of certain political leaders and their followers. They may try to "pour cold water" on the stream of policy proposals which
flow from their quests, elaborating the difficulties and political risks involved in implementing them. They may try to point out the values and interests which may be adversely affected by the committed pursuit of such quests. "Ethical" civil servants would not view such equivocation as being disloyal. Rather they may believe that they have a professional obligation to offer disinterested, "free and frank" advice based on a dispassionate assessment of the "public interest" which draws on the collective wisdom and experience of their practice. Such an assessment would presumably involve the type of balanced consideration of competing values which would be difficult to make if the practitioners concerned were motivated by a concern to advance a particular leader's quest. This does not ignore the problems and difficulties involved in arriving at a satisfactory definition of the public interest in a particular situation. Rather it implies that the process of establishing the public interest should involve a balanced assessment of the values, obligations and interests affected by the situation. As Martin (1991, 382–3) put it: the 'public interest' is a useful shorthand for a set of important process considerations. These can be reflected in a checklist of things to be taken into account in relation to any public policy issue, viz:

- regard for the law
- regard for the principles of natural justice
- consideration of the long as well as the short term
- acknowledgment of previous commitments
- avoidance of both the substance and appearance of personal or agency interest.

Interactions between politicians and civil servants could become disappointing to both parties when politicians withdraw their trust from civil servants who do not share their passion, and who appear to be less than enthusiastic and energetic in the pursuit of their goals as a result of their commitment to this professional ethic.

The "capture" of politicians.

This withdrawal of trust may find some theoretical legitimation in public choice and agency theory. From this theoretical perspective any recognition of the claim by bureaucrats that they serve the public interest may allow greater scope for agency failure by enabling them to conceal their pursuit of private interests by exploiting "information
assymmetries" in their relationship with politicians. These information assymmetries are typically viewed as arising from "the greater experience of higher civil servants in the procedures and programmes of government, their greater number and their much longer experience in office" (Rose 1987, 422). They can enable civil servants to "capture" and dominate "transitory, amateur and isolated party politicians" (Rose 1987, 422).

The perceived threat of being "captured" by senior civil servants has led "conviction politicians" such as Thatcher to devise various strategies to weaken the influence of this group and assert their own leadership over public policy. According to Rose (1987) these strategies have included: (i) "turning" the civil service by trying to get their own followers appointed when positions fall vacant in its senior ranks; (ii) "swamping or layering" by creating new positions for their appointees above the ranks of the career civil service; and (iii) "infiltrating or interpenetrating" civil service ranks by encouraging followers to enter its ranks, even at junior levels, to acquire the technical knowledge of government programmes to advance their quest. One consequence of these strategies is that they enable political leaders to interact more and more with their own followers and less and less with dispassionate "outsiders" in the formulation of their policies. Thatcher, for example, seems to have sought to mainly interact with policy advisers whose followership was "made evident by a 'can do' mentality when asked to advise on means to achieve Thatcherite goals" (Rose 1987, p.423).

Problems with politicization.

From an agency-theoretic perspective this could be viewed as a positive development since there is much less scope for agency failure when civil servants are intrinsically motivated to achieve the same goals as their political masters. This perspective does, however, seem to obscure the damaging effect such "politicization" can have on the ethos and morale of the policy advisory component of the career civil service. Peters and Savoie (1994, 424) report that as a result of a tendency toward the increasing politicization of the civil service in Anglo-American democracies: By the late 1980s evidence was mounting that civil servants were badly shaken. In Britain, committees of
Parliament and even the government itself recognized the need to restore morale in the civil service. In Canada, senior civil servants began to talk openly about a civil service in trouble, demoralized, losing confidence in its leaders and themselves, unsure of their roles and futures, overburdened with work, and chafing under perceived unfair criticism ... The situation was no better in the United States. The 1989 Report of the Volcker Commission, Leadership for America: Rebuilding the Public Service, left little doubt that Reagan was leaving behind a badly demoralized and uncertain civil service.

If "traditionalists" are to reassert the importance of sustaining a culture of public interest, even within a bureaucracy which has been substantially restructured, they need the support of a philosophical framework which provides an antidote to the "narrowly economistic" approach of public choice and agency theory.

A communitarian perspective.

One such theoretical perspective has been advanced by communitarian writers such as MacIntyre (1981), Oakeshottle (1977) and Sandel (1984) who seem to share a common concern that the traditions which constitute communities be kept "vital" so that they can provide a context and point of departure for the pursuit of excellence by the individual members of these communities. MacIntyre, in particular, is concerned with the vitality of traditions in what he calls "practices" which encompass "any coherent and complex form of socially established co-operative human activity through which goods internal to that form of activity are realized in the course of trying to achieve those standards of excellence which are appropriate to, and partially definitive of, that form of activity, with the result that human powers to achieve excellence and human conceptions of the ends and goods involved are systematically extended" (1981, p.187).

The engagement by policy advisers in the senior civil service in a "profession of statecraft" (Martin 1988) governed by a public service ethos would be an example of what MacIntyre means by a practice. Since it is difficult to fully define the "output" or "technology" of such a practice (Wolf 1989), the pursuit of excellence within it will require practitioners to subject their work to standards set by past and present practitioners in order to derive the "internal goods" associated with making a contribution
toward advancing these standards and sustaining the vitality of the tradition which bears them. These internal goods can be distinguished from external goods such as wealth, status and prestige in that their realization is contingent on the practice of particular virtues. Maclntyre's list of such virtues includes (i) "an adequate sense of tradition" which, according to Maclntyre "manifests itself in the grasp of those future possibilities which the past has made available to the present"; (ii) "justice" which is reflected in a propensity to "recognize what is due to whom"; (iii) "courage" which involves being prepared to "take whatever self-endangering risks are demanded along the way"; and (iv) "honesty" which is reflected in a willingness to listen and respond carefully to criticism. The cultivation of these virtues would enable public servants to subordinate any passion they have to advance particular quests to the type of balanced consideration of competing values which judgments of the public interest would seem to demand. The need for politicians to respect and protect the process of cultivating these virtues among their advisers becomes clearer when their relationship with them is treated more like that between a client and barrister than that between a leader and follower.

A common criticism of the New Public Management is that has dismantled those institutional features of the Whitehall tradition- fixed salaries, rules of procedure, permanence of tenure and clear lines of division between public and private sectors - which provided a framework within which a public service ethos could be developed. What is being argued here is that the attempt to establish leader-follower relationships between politicians and civil servants can also damage this ethos. It could potentially remove an important institutional safeguard against the destabilising impact leaders and followers bound together by a culture of passion could have if they come to dominate the policy process, imparting their own "tunnel vision" to it, and steering it too far in the direction they intend, even when a growing stream of problems is being generated by the unbalanced pursuit of their quest.

V. CONCLUSION

This paper has sought to show that by conceiving leadership as involving the development of a culture of passion, it is possible to make a balanced evaluation of this
phenomenon particularly with regard to its impact on relationships in the policy community. Where participants form leader-follower relationships their shared passion to advance a particular quest may make them a strongly motivated and cohesive group whose potential power may need to be countervailed not only by rival sources of leadership engaged on alternative quests but also by more neutral communities which preserve a tradition of subordinating such passions to a balanced consideration of competing values and interests. We would therefore affirm the view that there is still a place in the core public sector for a "profession of statecraft" which embodies a culture of public interest supported by the cultivation of appropriate virtues.
REFERENCES


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1 Bass (1990) provides comprehensive survey of these studies.

2 The major sceptical response to claims made about the historical significance of leadership has been associated with various "attributional" theorists (Meindl and Ehrlich 1987 and Pfeffer 1977). From their perspective, followers attribute effects due to historical, economic and social factors to leaders, as in romantic fiction. Improvements in the performance of individuals, organisations and nations are thus determined by other factors, but leaders are credited with what happened after the fact.

3 This norm will be situationally determined. Casson suggests that an ethic of dedication will be promoted among technologically independent workers, an ethic of integrity among traders, an ethic of solidarity among colluding workers or firms, and an ethic of loyalty among employees with firm specific skills.

4 Casson justifies his treatment of these options as mutually exclusive along similar lines to Frey (1994). The basic argument is that if principals seek to strengthen the extrinsic motivation of agents by making their rewards or sanctions more contingent on their individual performance their intrinsic motivation will be "crowded out" since (i) agents may have a reduced degree of discretion to exercise moral responsibility and behave in a trustworthy way and (ii) the strengthening of monitoring mechanisms often involves an implicit withdrawal of trust.

5 Jane Howell (1988) distinguishes "habituated" followers who, by placing unquestioning trust and obedience in their leaders, become enmeshed in highly dependent relationships with them, from
"autonomous" followers who are entrusted with responsibilities for independently devising courses of action which advance quests or missions which are broadly defined for them by their leaders.

6 This theme of course constitutes the core concern of the literature dealing with the economic analysis of cureaucracu and the phenomenon of bureaucratic failure (see, for example, Breton and Wintrobe 1982; Niskanen 1971 and Tullock 1974).

7 MacIntyre and Oakeshotte both reject the view that traditions constitute fixed and inflexible ways of doing things. Oakeshotte (1977) has argued that a tradition is a "flow of sympathy" which from time to time needs to be revived, abridged and developed in response to the demands of each new generation. Similarly, MacIntyre (1981, 222) conceives a "living tradition" to be "an historically extended, socially embodied argument, and an argument precisely in part about the goods which constitute that tradition".
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