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Public Value Accounting: Establishing the Philosophical Basis

Questions of how best to define the ends, justify the means, and measure the performance of governments have preoccupied political economists for centuries. Recently, the concept of public value—defined in terms of the many dimensions of value that a democratic public might want to see produced by and reflected in the performance of government—has been proposed as an alternative approach. This article develops three philosophical claims central to the practice of public value accounting: (1) when the collectively owned assets of government are being deployed, the appropriate arbiter of public value is the collectively defined values of a “public” called into existence and made articulate through the quite imperfect processes of democratic governance; (2) the collectively owned assets include not only government money but also the authority of the state; (3) the normative framework for assessing the value of government production relies on both utilitarian and deontological philosophical frameworks.

From Rhetoric to Substantive Challenge

My research on the idea of “public value” began in the early 1990s. It was a time when the techniques of private managers, such as focusing on customers and using quantitative performance measures, were being pressed on government managers as keys to improving performance (Osborne and Gaebler 1993).

The Rhetorical Idea

The idea drew on a simple analogy: if *private* managers were committed to using their imagination and skills to produce *private* value for shareholders using *private* assets, then *public* managers should use their imagination and skills to produce *public* value for citizens using the *public* assets held by democratic governments. Following this logic, I considered that perhaps the most important *private* sector idea for public managers to embrace was the idea that they should earn their keep by *creating public value* (Moore 1995).

To claim that government and its managers existed to create public value sounded odd when government was being described as “the problem rather than the solution.” At the time, even those who counted themselves as friends of government tended to see government as a kind of neutral referee that could order relationships and regulate conflict in society rather than as a creator of substantive value (Friedman 1996). The assertion that government and its managers could stand alongside the private sector and its managers as producers of real material value for individuals in society, though far from new, seemed to run counter to the prevailing assumptions.

Despite the reigning skepticism, however, citizens of democracies and their elected representatives continued to spend money on governmental activities.¹ They also continued to grant the government the authority to regulate their conduct in many private spheres, from environmental protection to restrictions on the sale of alcohol and tobacco to the protection of voting rights. It also remained true that democratic governments, eager to build legitimacy for the choices they made, often created forums within which citizens could discuss the social conditions in which they lived and debate whether and how they might act collectively to change those conditions.² It followed logically and behaviorally that citizens had to believe that government was producing something of value to them as citizens—something that could be described (and, ideally, *recognized* through performance measurement) as “public value.”

Others had long defended the view that government created public value using other words. But this simple concept, once articulated, posed a useful challenge to the prevailing political discourse.

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failure. It affirmed the older notion that democratic government could be used (if citizens so aspired) to promote visions of equity and justice as well.

The word *public* served as a reminder that, in a democracy, the proper arbiter of public value was not just individuals valuing their own material welfare but also individuals valuing the particular welfare of others, their duties to one another, and the overall conditions of society (Mansbridge 1990; Wilson 1974). It was also a reminder that individuals had to come together to form a public that could speak more or less articulately about what it wanted to see produced (Dewey 1954; Moore and Fung 2012). Democratic political processes beyond elections, such as legislative and administrative hearings, citizens' groups, and other methods of public consultation, were hailed as processes that could increase the responsiveness and legitimacy of government action (Fung and Wright 2003). It was also a concept that scholars and practitioners in public management could reclaim in the face of neoliberal efforts to advance a radical individualism and a severely restricted view of the role of government in what was, in fact, an increasingly interdependent society (Benington and Moore 2011; Bozeman 2007; Cole and Parston 2006). But to endure and become practically useful, the concept had to go beyond mere rhetoric.

The Core Philosophical Ideas

This article focuses on advancing three philosophical claims central to any technical, political, or managerial method that would seek to define (and measure) the production of public value in democratic societies. Use of these principles *in the particular, concrete circumstances in which governments are called on to act* should help carry the idea of public value creation through government from rhetoric to reality.

The first principle is that when the collectively owned assets of government are being deployed, the appropriate arbiter of value is not simply a summation of individual valuations but a public that has been called into existence and become articulate about its aspirations through the quite imperfect processes of democratic governance.

The second is that the assets that government uses to create public value include not only public money but also the authority of the state.³

The third is that the normative framework for assessing the value of what government produces must include not only utilitarian values concerned with satisfying individual material desires and the public's desired aggregate social outcomes but also deontological values that account for the degree to which government has acted fairly and justly toward its individual citizens and helped bring into existence a just as well as a good society.⁴

Key Assumptions

In the background of these core principles lie an empirical and a normative assumption. The empirical assumption is that individuals living in democratic societies as citizens of that society have values that they work to realize in the world that include the satisfaction

of their material well-being as well as a concern for the welfare of others, their duties to one another, and a vision of a good and just society that they would like to inhabit.

The normative assumption is that a good democratic state allows—indeed, protects and encourages—individuals in the polity to develop and act on their own individually held views of what they would like to do for others as a matter of altruism, how they understand their duties to one another as a matter of moral obligation, and how they envision a good and just society. When, however, a democratic society makes a *collective* political decision to use the collectively owned powers of the state to pursue a particular purpose, that decision has to be legitimated by the special processes of democratic, representative government. The legitimacy of the collective choice can be stronger or weaker depending on precisely how a public is called into existence and helped to understand and act on its own collective interests and values (Moore, forthcoming; Moore and Fung 2012). While public values can be individually held and privately acted on, some individually held public values become (through democratic processes) the collectively endorsed public values that will guide democratic government in the use of its collectively owned assets. The philosophical principles described in this article help direct the search for those collectively endorsed public values.

The Appropriate Arbiter of Public Value in Society and Government

A defining characteristic of liberal democratic societies is that individuals are recognized as the only appropriate arbiters of value. Margaret Thatcher had liberal democratic theory mostly right when she famously claimed that there was no such thing as society—only the individuals who constituted the society (Thatcher 1987). The dominance of individual valuations in liberal societies is recognized in both economic and political domains. Liberal democratic theory sees the marketplace as a desirable way to organize the economic affairs of a society precisely because a well-organized market will direct economic activity toward the satisfaction of individual desires and preferences.

That is what efficiency means in economics—to create value by satisfying individual material desires (Samuelson 1954). In the realm of politics, democratic elections hold pride of place because they allow individuals to express and give effect to their particular political views (Coleman and Ferrejohn 1986).

Two Key Paradoxes That Establish Collective Arbiters of Value in Liberal Societies

Yet two paradoxes of liberal political thought create room for a collective, public arbiter of value to emerge and play an important role in economic, social, and political affairs.⁵

First, even the most ardent libertarians understand that they need a state to protect their individual freedoms and rights from attack by fellow citizens (Hobbes 1904). Libertarians also need government to establish the legal infrastructure that allows individuals to pursue happiness and material welfare in their own chosen ways, ensuring their rights to hold property, associate with one another voluntarily,

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and make and enforce contracts with one another (Demsetz 1967). Libertarians might even agree that in order for individual rights to be protected, there must be a collective social and political agreement about the rights to be given to individuals—a shared set of principles to give cultural legitimacy and weight to the legal principles of their preferred constitution.

This leads to the second paradox of liberal democratic theory. Once it is clear that some kind of state is needed to protect liberty and enable the pursuit of individual welfare, the question becomes how the state might best be controlled by those subject to it (Madison 2006). Libertarians might prefer that such control be exercised through a specific, inviolable constitution that creates an expansive private sphere of individual rights. In fact, most constitutions of liberal democratic societies do establish strong individual rights that secure a broad private sphere and give individuals powers to resist intrusive or unfair state action at both the individual and collective levels. But these rights alone are rarely enough to satisfy radical libertarians (Glendon 1992).

The reason is that among the rights that democratic constitutions give to private individuals are procedural rights that allow individuals (and voluntary associations of individuals!) to influence political choices about whether and how government powers will be used. These rights include free speech, freedom of association, voting, and the right to petition the government for a redress of grievance. These procedural rights are justified partly to protect individuals and voluntary associations from government incursions in the private sphere.

But these rights have an important additional feature: they allow—and, to some degree, encourage—individuals to hold and act on individually held views of what other individuals in the society deserve as a matter of charity or duty and what kind of society they would like to inhabit and bequeath to their children.

The fact that liberal societies guarantee rights that allow citizens to develop and act on ideas about what they owe to others creates the second paradox in liberal theory: these other-regarding views, while *individually* held, focus on *public concerns and conditions*—the welfare of others, duties to one another, and a vision of a good and just society that the public could achieve through government action (Mansbridge 1990; Wilson 1974).

Inevitably, individuals in liberal societies will disagree about their ideas of a good and just society and what government can or should do to advance those views. That disagreement will be reflected in sustained public discussion and political argument. But the rights to engage in this argument are guaranteed in democratic constitutions, and they are as fundamental to democratic life as rights to own property, make voluntary contracts, and be protected from arbitrary state action. Together, the individual procedural rights and the collective civic and political processes they spawn form a crucible that calls a public into existence in two different ways.

First, individuals with privately held views about what they think they owe to and deserve from others actually encounter those

others and are forced to explain and defend their positions. This creates a public forum, which, under some circumstances, leads to changes in individual views and the creation of a more widely shared view of what would be valuable for a society to achieve together (Fung and Wright 2003; Gutmann and Thompson 1996; Schauer 2001). This process makes individual views more public both in the sense that, having been discussed in public, they are no longer simply private thoughts in the minds and consciences of individual citizens, and in the sense that the public discussion tends to push these views toward greater concern for others and toward visions of collective governmental action that could satisfy many.

Second, such encounters call a public into existence by creating a capacity not only to think, discuss, and value collectively but also to *act* collectively. Collective action occurs whenever individuals join together and pool their privately held assets to advance their own individual and collective well-being in some kind of *social or civic action*. It also occurs when individuals voluntarily join with one another and seek to use their combined powers to influence government policy through *political action*. On occasion, political action leads to the enactment of public policies that commit the government to particular purposes and conveys the funding and regulatory powers required to achieve those publicly valued purposes to government agencies (Skocpol and Fiorina 1999). This is the essence of democratic governance.

Of course, the basic democratic structures and processes that grant individuals the right to hold, express, and act on their individual views are far from perfect, whether measured against individuals' lived experience or any particular political philosophy. Yet no one with democratic commitments wants to abandon individual rights to hold and act on such views. To live in a democracy is to live with both conflict and imperfection.

Once one recognizes that individuals have rights to think and act on social and political ideas of a good and just society, however, the genie is out of the bottle. There is no moral or logical necessity that democratic citizens hold to strict libertarian ideas that limit their moral responsibilities to a small number of relatives, friends, and other individuals they find sympathetic. They may embrace a view that widens their moral responsibilities to all fellow citizens or even to all humanity. Moreover, there is no need for individuals to restrict themselves to libertarian ideas about the role of the state. Citizens of democratic societies are certainly obligated to protect the settled constitutional rights of their fellow citizens—even when the exercise of those rights offends their own moral sensibilities (Tomasi 2001). However, individuals in democratic societies remain free not only to envision their rights and obligations to one another as both broader and deeper than those envisioned by libertarian views but also to seek to enlist government to manage their interdependence in ways that could help create a more prosperous, sociable, and just society.

In sum, if a liberal political philosophy grants (1) that a liberal society needs a state; (2) that the state should be controlled by individuals exercising both civil and political rights to advance their views of

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restrict attention to the narrowest kind of public value: the kind that is encoded in public policy commitments to use governmental assets to achieve particular purposes. To repeat, these are public both in the sense that they are focused on public conditions and in the sense that a collective has formed and grasped the instruments of government to advance a particular conception of public value.

Public Value as the Values Articulated by a Public That Guide Public Policy

Despite liberal societies' best intention to make individuals the important arbiters of value, collectives emerge to define and pursue important values in society, and none is more important than the "public" that is called into existence by democratic political processes and succeeds in having its conception of public value encoded in legislation and other forms of public policy. To see the practical significance of concluding that the proper arbiter of public value is a public rather than a summation of individual aspirations, consider the implications for three technical methods commonly relied on to recognize the value of government enterprises: cost–benefit analysis, program evaluation, and customer satisfaction surveys.

An Application: Cost–Benefit Analysis and Program Evaluation

Political theorists have long understood the difficulty of defining the conditions under which individual preferences could be properly aggregated to produce a conception of public value that gave sufficient standing to those individual preferences. Indeed, in a Nobel Prize–winning effort, Kenneth Arrow (1963) showed that it was impossible for a collective to reach agreement without injuring the interests of some individuals at least to some degree. Still, both theorists and practitioners have long sought some method for calculating (without the dubious aid of politics!) how a society of individuals might collectively value and evaluate different actions taken by democratic government.

Jeremy Bentham (1890) developed the philosophical idea of utilitarianism not as a general philosophical theory of the good but as a device to help elected legislatures determine which laws to pass and which to reject. In his view, laws that produced net positive utility (summing over the individual utility experienced by each and every citizen) were those worth passing. From this view, it was only a few short conceptual steps to cost–benefit analysis as developed in the field of economics. There, the principle was that the net value of a given governmental effort could be determined by figuring out the price each individual would be willing to pay to gain the imagined benefits and/or avoid the costs of a given policy (Gramlich 1990). In practice, of course, it often proved difficult to make such determinations.

As an alternative, statisticians developed the method of policy and program evaluation (Wholey, Hatry, and Newcomer 2010). This method typically began with determining what some collective body hoped to accomplish through the adoption of a given policy or program. From there, one simply observed the degree to which changes in social conditions occurred that were aligned with the desired results and could be reliably attributed to the policy or program. Because this method sidestepped the problem of both estimating individual valuations of effects and transforming those

valuations into monetary terms, policy and program evaluations were often easier to perform than cost–benefit analyses. Yet precisely because program evaluations could not be directly tied to individual, monetary valuations of the effects of policies, many (particularly those trained in economics) tended to view program evaluation as an unfortunate compromise when compared to a full blown cost–benefit analysis.

Note, however, that if the proper yardstick for measuring the public value that government produces is a collective public articulating and pursuing its purposes through the institutions and processes of politics, public policy making, and government, rather than individuals valuing the results of those policies in their own terms, then policy and program evaluation should be considered conceptually *superior* to cost–benefit analysis. The reason is that policy and program evaluations *begin with a collectively defined social utility function articulated by a democratic body through a democratic process* (Stokey and Zeckhauser 1978). Of course, as noted earlier, the quality of the democratic process that leads to this collective expression can be stronger or weaker in procedural and technical terms. Presumably, the moral weight of the social utility function increases or decreases accordingly. But the definition of public value outlined earlier suggests that the arbitration of public value should reside with a collective expression of the public, not simply individual valuations made without regard to the opinions or conditions of others.

An Application: Customer Satisfaction and Achieving Socially Desired Outcomes

Consider, next, the idea of customer-oriented government (Osborne and Gaebler 1993). To many, the idea that government should exist to serve its customers seems like a truism. What else could a democratic government seek except to make its individual customers happy? The difficulty arises when one asks whom the customers of government are and what it is they want.

It is most natural, perhaps, to imagine the customers of government as those people on the other side of the bureaucratic counter receiving services from the government in individual transactions. And it does seem desirable for a democratic government to treat those "customers" with courtesy, respect, and concern for their well-being.

But providing services to beneficiaries is only a small part of what government does. Government also creates conditions that benefit the broader public: a national defense that protects citizens from foreign enemies, a criminal justice system that protects citizens from one another, a regulatory agency that ensures the quality of the air and water, and so on. In fact, many of the services that government provides to individuals may also be enjoyed by others who see their vision of a good and just society realized in the provision of those services. When government provides health care to indigent individuals, citizens may feel proud to live in a society that provides care to all such individuals as a matter of charity, duty, or justice.⁶

It is also true that many government activities do not involve the distribution of services or benefits. When the government acts to protect citizens from criminals, to clean the air and water, and to protect those who are vulnerable in market transactions, it often acts not by providing benefits to particular individuals but by imposing burdens on those who threaten those individuals (Alford 2009;

Sparrow 1994). Ideally, government uses its authority legitimately, distributing these burdens fairly across society and ensuring that their imposition secures some larger social good. But it would be foolish to imagine that the point of creating these duties was to make those on whom they were imposed happier. Citizens may take satisfaction in doing their duties, but, on balance, most would likely prefer to be free of the obligations (Hibbing and Alford 2007; Tyler 2006).

Because government creates value not only by delivering benefits to individuals (and groups of individuals) but also by imposing burdens on them, the value of government activities cannot lie simply in the satisfaction of those with whom the government has specific service or obligation encounters. The “customers” of government—those whom it must satisfy for practical and philosophical reasons—include individuals in many different social positions. They are not only service *beneficiaries* but also client *obligatees*, not only clients but also taxpayers, and not only taxpayers but also voters and citizens (Cole and Parston 2006; Mintzberg 1996; Moore 1995).

Of these, the individuals who are most like customers in the private sector—those whose value judgments provide the social justification for production and the practical wherewithal for producing the valued goods, services, and conditions—are citizens, voters, and taxpayers, not individual beneficiaries and obligatees. What “satisfies” citizens, voters, and taxpayers is the achievement of the collectively defined purposes set out in the laws, policies, and programs that their representatives have authorized at the lowest possible cost in terms of public money and public authority.

Summary

In public value accounting, there are, broadly speaking, two different arbiters of public value: first, individual citizens acting on their own ideas of the good and the just through voluntary, civic efforts at the individual or collective levels and, second, a public constituted of citizens and their elected representatives who decide collectively how the assets of government will be deployed. Accounting for value creation with respect to these arbiters of value departs from the idea of determining public value in terms of individuals’ material self-interest. When individuals (and groups of individuals) act voluntarily on behalf of others or a particular view of the good and the just, one could say that they are acting to create public value. This is the role of the voluntary sector. When the body politic decides to use the collectively owned powers of democratic government to advance a purpose, one can say that it acts both to define and create public value, but in a different sense than either individuals or voluntarily assembled collectives do.

Public Assets Used in Producing Public Value

A public value accounting scheme has to identify not only the proper arbiter of public value but also the particular dimensions of value to be recognized in the scheme. It is conventional in accounting to divide the effects of an action into the *costs* of taking that action and the *valued results* that occur. Net value is created

when the valued results are greater than costs used in producing the desired results. This basic concept can be used in public value accounting just as in financial accounting in the private sector—but with some important modifications.

Financial Costs

The most obvious costs to be recognized in public value accounting are the financial assets used to mount taxpayer-financed efforts to produce publicly desired results. These are usually the easiest thing to measure in public value accounting simply because the government often buys inputs for those activities (raw materials, labor, technology) in commercial markets at market prices.⁷

Authority

A second asset that has to be recognized on the cost side of public value accounting is the use of state authority. This asset, of course, is available for use only by the government. As Max Weber observed, the defining characteristic of a state is its monopoly on the legitimate use of force (Gerth and Mills 1991). But

why treat the use of authority as a cost of government operations designed to create public value?

Authority as instrumentally valuable in creating public value.

The first reason is simply that government uses authority instrumentally to change social conditions—ideally, toward a more prosperous, sociable, and just society. It does so in four ways: first, to require private entities to take actions that are in the public interest and to deter actions that are contrary to the public interest (Alford 2009; Sparrow 1990); second, to regulate access to the goods and services that government provides (Mashaw 1983; Prottas 1979) and to motivate clients of these services to become more self-sufficient (Moore 2013, 210–22); third, to resolve disputes and regulate relations among individuals and other private actors in both civic and criminal realms (Neubauer and Reinhold 2007); and fourth, to raise the money required to carry out the projects the public has assigned to it (Musgrave and Musgrave 1989).

Authority as a costly burden. Recognizing that the state uses authority instrumentally to produce public value does not by itself demonstrate the use of authority as a cost in government operations. The real cost of authority comes into view when the state uses it to require individuals to do something for the public good *they would rather not do*. Then, the individual satisfaction of the obligatee is reduced.⁸ State authority is restrictive. It takes away choice. It hurts.

But the loss is not only to the individual on whom the specific obligation is imposed, it is also to all who have been forced to surrender some of their individual freedom and liberty to the collective and might well fear that without constant vigilance, they will lose even more. At a minimum, citizens want to be sure that the state may not infringe on their individual rights (whatever they may be). Beyond that, however, they might want the state to be as distant as possible (Alderman and Kennedy 1997). And they would like to be sure that if there is a way to achieve an important public purpose using

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less authority and force, that way would be chosen as the preferable course. Authority is a cost because using it involves taking away something that is highly valued in liberal societies: the freedom to pursue one's own course in life.

Authority as a quantity. Unfortunately, our ability to recognize, measure, and monetize the use of authority in public action is currently quite limited. Still, it seems possible to recognize when government is spending more rather than less authority in particular public policies. In fact, we have a special set of public institutions—the courts—to oversee the state's use of authority (Rosen 1998). When the state wishes to accomplish a particular public purpose through means that infringe on individual rights, state officials have to justify those means to the judiciary. The courts may restrict the scope of state authority to particular places and times. When the state uses its authority without justification and those who are injured complain, courts can remedy the defect through financial damages or criminal convictions. Complaint bureaus exist to allow individuals to report improper uses of government authority. So, just as the government has institutions that can locate and respond to inappropriate uses of public money, it also has institutions that can note and respond to unjustified uses of public authority.

Two Different Effects Produced by Authority: Material States and Relationships

So far, the discussion has focused on authority as a valued asset used in the material production of publicly valued results. When used to mobilize and direct the efforts of private actors, in some cases, the same effects could be realized with the use of money. To get clean air and water, for example, the government could either require polluters to stop polluting and clean up the mess or pay the polluters or others to do the same. The net effect—a cleaner environment—would be identical. Similarly, when the state uses its authority to ration access to goods and services, some material benefits to particular individuals that could easily be reckoned in financial terms are at stake.

But behind these two uses of authority are persistent concerns for establishing and maintaining right social relationships as well as improving material conditions (Moore 1997). In both cases, concerns about fairness and economy in the use of state authority are consistent with ideas about right relationships between private actors and the state (Braithwaite 2002).

When the state uses its authority to enforce laws regulating relationships not only between individuals and the state but also among private individuals, one could reasonably say that the state's sole purpose is to help establish or reestablish right relationships among individuals. There may be transfers of material goods and well-being as a consequence of these choices, and the parties to the decision may experience more or less satisfaction with the decisions made. But the point of these transactions is to cope with at least one party's sense of unfair treatment and to nudge existing social relationships toward some shared concept of just or fair treatment of individuals (Van Ness and Strong 2010).

In our utilitarian age, it is tempting to treat the use of authority to create right relationships as a kind of process concern that is

secondary to more practical concerns about material well-being. But anyone who has lived with a strong sense of injustice—on behalf of themselves or others—and had that feeling resolved through some process that vindicated their claim knows how strong the feeling of satisfaction (or dissatisfaction) can be when a judgment about what individuals properly owe to one another as a matter of right relationships is made.

Thus, government authority is not only an asset used to achieve material results but also an instrument for creating right (or tolerable, if imperfect) social relationships.

Summary

In sum, the state commonly uses two different kinds of assets to produce valued social results: money (to purchase labor and other materials needed to produce the desired results) and authority to require individual actors to engage in activities that could improve (or refrain from activities that would harm) overall social welfare.

The government, guided by democratic politics, uses money raised through taxation to produce desired social results such as national defense, clean air and water, and the provision of courts to adjudicate disputes. It uses authority to raise the funds to produce public goods and services and to encourage the establishment of right relationships in society, including right relationships between the state, citizens, and clients. The use of these collectively owned assets in the pursuit of purposes articulated by the body politic represent the machinery through which public value is created.

Toward a Public Value Accounting Scheme

Looking primarily at the *cost* side of public value accounting, it is evident that when government acts to create public value, it uses two assets that are generally in short supply in liberal societies: (1) money generated by taxes and (2) the authority of the state to direct private effort toward public results. Citizens might be willing to invest more of their hard-earned money and to accept new burdens if they thought such action would create a better (more prosperous, sociable, and just) society. But in a liberal society, government must be able to demonstrate to a skeptical public that it can, in fact, produce the results that the public wants to see realized.

In private sector accounting, value creation can be demonstrated simply by counting the revenues earned through the sale of products or services to willing customers and comparing those to costs. As a philosophical matter, this simple revenue measure is an acceptable expression of value because, in markets, the individual purchaser is presumed to be the proper arbiter of value. As a technical matter, the price paid reflects the value to customers pretty reliably; otherwise, they would not have spent the money. As a political matter, citizens are quite happy to allow private commerce to proceed for the benefit of consumers, producers, and laborers.

In the public sector, however, assigning value to the results of government action is much more problematic. While government can account for financial costs as well as the private sector does, the big problem remains in developing an accounting system that captures the revenue side, that is, the value of what government produces (Moore 2013).

Using Utilitarian and Deontological Frameworks in Evaluating Government Results

The public sector lacks a clear measure of value produced for at least the following reasons. First, the political process of developing policy mandates often fails to be clear and coherent about the values the public wants to see advanced by and reflected in the policies. Second, there might be no existing measurement tools to connect the government's performance and the public's desired results to actual conditions in the world and little investment being made to develop and use such measurements. Overcoming such challenges makes developing a public value accounting system a political, technical, and managerial challenge, as well as a philosophical one (Moore 2013).

The philosophical exploration of the public value accounting challenge in this article has thus far identified the public as a whole as the proper arbiter of public value and considered both financial costs and the use of public authority as costs of government action. The philosophical question of what a democratically formed public should value as *results* of government action will, for the most part, be answered in particular concrete circumstances as citizens notice a gap between society as it is and society as it could be and judge government able to close the gap.⁹ But those calculations might also be guided by some important philosophical principles and traditions.

In political philosophy, citizens, taxpayers, voters, legislators, and managers rely on both utilitarian and deontological frames to evaluate the performance of governments (Frankena 1973). Utilitarianism is principally concerned with the good rather than the just. It defines good actions as those that produce results that individuals desire, most often understood as things that will improve their material well-being. The core political concept that arises from utilitarianism is the idea of the "greatest good for the greatest number," with each individual being the judge of what is valuable to them (Bentham 1890).

Deontology, by contrast, is principally concerned with the idea of the just rather than the good. It defines right actions in terms of whether individuals act in accord with a just set of principles that regulates their conduct toward one another. To act justly with respect to others means giving respect to the rights (and, to some degree, the needs and interests) of others. It may also mean improving the welfare of others who have a just claim to material benefits of some kind. But improving others' welfare is not the reason to take the action; the point is to sustain a just order of relationships (Frankena 1973, 48–52).

Deontology is also concerned with just relationships between individuals and the broader society as well as the state. When liberals and libertarians argue about the appropriate size of the state, they sometimes talk about the welfare consequences of having a large or a small state. But more often, and always near the surface, are arguments about just relationships between society, state, and individuals. Libertarians argue for extensive individual rights with few collective obligations. Liberals argue for more collective

responsibilities to ensure that important substantive rights for individuals can be achieved. While both libertarians and liberals pay obeisance to the importance of organizing social political economies in ways that will produce significant material well-being for all, and they argue that their economic policies are the ones that will do this important work, in the end, both are as much concerned about an ideal of just relationships in a democratic state as they are about economic welfare.

Initially, the concept of public value presents itself as a utilitarian idea. To suggest that government can "create public value" for citizens and taxpayers just as commercial enterprises can create private value for consumers and investors is to suggest that government is valuable because it produces valuable consequences for individuals. This is part of what makes public value a controversial concept; it is much more common to evaluate government in deontological than utilitarian terms.

The unacknowledged collision between utilitarian and deontological views of government has created enormous confusion about what the public really wants from the government.

Unfortunately, the unacknowledged collision between utilitarian and deontological views of government has created enormous confusion about what the public really wants from the government. Utilitarian concerns about efficiency and effectiveness raise questions about client satisfaction, customization, flexibility, and responsiveness in government action.

Deontological concerns about justice and fairness raise questions about consistency in treatment and processes and the degree of predictability in government action over time.

These different conceptions of government may never be fully integrated in a harmonious way, but they need not be in order to develop a public accounting scheme that recognizes the fact that citizens want to evaluate government using both utilitarian and deontological concepts. If government uses both money and authority to achieve its purposes, then it inevitably invokes both utilitarian and deontological normative frameworks. When government spends public funds, citizens want to see their hard-earned tax dollars used in efficient and effective ways to create the results they desire. Similarly, when government uses the authority of the state, citizens want to be sure that it is being used proportionately and fairly and for the purpose of creating a just society.

Utilitarian ideas work well for uses of money, and deontological terms for the uses of authority. But there is also room in public value accounting for a *utilitarian* perspective on the use of authority and a *deontological* perspective on the use of money. For example, if it were possible to produce some desired social result (whether improved material welfare or increased justice) more efficiently (i.e., with less use of state authority), then it would be publicly valuable to do so, as the reduced use of authority would put some liberty back in the citizens' lives. Similarly, because the money that governments use to achieve desired results is generated through the taxing power of the state, citizens might be interested in ensuring that public dollars are spent fairly as well as efficiently. If a principle of democratic government is that it should not use the coercive power of the state unless it is good for all and just, then it seems that those tax dollars carry with them the condition that they be used fairly and in ways that promote justice in society

as well as efficiently and effectively in ways that produce material satisfaction.

Of course, the difficulty lies in determining what constitutes fair use of public dollars. For some, it means that those who paid their taxes got equivalent value back to them individually. But that makes taxation comparable to a private consumption decision. An alternative way to think about taxes is that a collective got together, decided that it wanted to create something of public value, figured out the cost, and then divided up the burden of paying for the publicly mandated good or service in a fair way.

A more complicated set of questions about fairness arises when various, more or less conflicting principles for the fair use of public funds come under consideration, such as the following:

- Public money should be given to those who can make the best use of it for their own or society's benefit.
- Public funds should be given to everyone equally on a per capita basis.
- Public money should be given to those who need it the most.
- Public money should be provided in sufficient amounts to ensure a sufficient degree of equality in social conditions.

Democratic societies can and do discuss these matters of fairness in the distribution of public funds all the time. We discuss, for example, whether public funds for education should be distributed to close the achievement gap, to meet the needs of individual students, or to support education for the most able. We discuss whether funds set aside for welfare assistance should be cut off if individuals cannot make their way to independence on grounds that the funds are being wasted or continued on grounds that we want to assist those who are most in need and/or reduce economic, social, and political inequality.

The fact is that citizens have different general conceptions of justice and fairness, and these ideas seem to shift from issue to issue and over time. And it is not only about deontological values that citizens seem to change their mind. They also change their mind about which utilitarian values should be considered most important. For example, they often have difficulty weighing the benefits of government services against the costs. They want both government services and less government cost. They also want to strike different balances among potentially competing objectives of public organizations: sometimes they want to focus police attention on serious offenders and other times on responding rapidly to calls for service, even when the calls do not focus on serious crime.

The important implication for public value accounting schemes is that they must be set up in ways that allow changes in citizens' views of the important dimensions of public value to shift (Moore 2013). We can start by recognizing and holding to the broad values that will be reflected in all government operations. Figure 2 depicts a simple matrix that shows the relationship between the use of a particular asset of government (money and authority) and the normative framework that is typically invoked by the use of that particular asset. The point here is that citizens do and will evaluate governments and government managers not in just one or two cells of this matrix but in all four:

		Normative/Philosophical Framework	
		Utilitarian Focusing on the good at individual and collective levels	Deontological Focusing on the right, the fair and the just at individual and collective levels
Public Assets Being Deployed	Money	Efficient and effective use of public money	Fair use of public money to help produce a just society
	State Authority	Efficient, effective and accepted use of state authority	Fair use of public authority to assure justice in individual transactions and in society as a whole

Figure 2 Philosophical/Normative Frameworks for Valuing the Use of Public Assets

- The efficient and effective use of public money
- The fair and just use of public authority
- The efficient and effective use of public authority
- The fair and just use of public money

A comprehensive public value accounting scheme must be built to allow citizens to speak about, anticipate, and observe effects in each of these cells.

Democratic Deliberation as a Philosophical Framework for Public Value Recognition

Because the public often changes its mind about the relative importance of both the utilitarian and deontological values that public agencies pursue, the particular values to be registered in public value accounting schemes are likely to change over time as experience accumulates and as democratic deliberation shapes understandings of the public's aspirations and experience (Gutmann and Thompson 1985; Gutmann and Thompson 2004). Given this fact, it might be a good idea to imagine a philosophical basis for public value accounting that is less principled and abstract than the strict tenets of either utilitarianism or deontology—a philosophical basis that leans more toward recognizing and seeking to improve democratic political processes governing public policy making.¹⁰

One option would be to embrace an ideal of democratic political discourse as a way to define public value rather than either utilitarianism or deontology (Gutmann 1985; Gutmann and Thompson 2004). Once one leaves the comfortable confines of well-developed political philosophies, it is tempting to think that all normative philosophical concerns have been cast aside. One is left staring at the corrupt and incorrigible world of practical politics with all its well-known weaknesses. Yet it is important to remember that there are many normative theories that focus normative/philosophical and practical/empirical attention on the importance of creating a public that can articulate valuable ends and find appropriate and effective means for achieving them.

As previously noted, the core of democratic theory incorporates important normative values that guide the processes through which citizens can control the actions of their government. These include voting rights, rights to petition the government and be heard in its councils, rights to go to court if the government has violated their individual rights, and so on. These are basic principles of democratic government.

As democratic government has evolved, however, it has increasingly reached out to legitimate its actions through a wider range

of consultative mechanisms that allow citizens to participate more continuously in decisions about smaller matters that do become the focus of electoral campaigns (Fung and Wright 2003). Every day, governments at different levels make important policy choices about how to use public assets to deal with social conditions. The legitimacy granted by elections to these decisions is important, but it is not always the only source of legitimacy. The elected, appointed, and career officials who participate in particular policy-making processes often tap other sources of legitimacy (Heymann 2008). They seek to increase the political legitimacy of policy choices through processes of consultation designed to win the consent and approval of affected publics. In doing so, they often try to help individuals think more like citizens with something in common at stake rather than as individuals with only their individual interests at stake. They seek to increase the technical legitimacy of the choices they make by deploying expertise to assure citizens that the proposed policies will work as intended. So, there are features of the policy-making process that broaden, deepen, and particularize the general political legitimacy granted to publicly elected officials' choices about whether and how to use government assets to act on particular social condition.

Political theorists have identified a number of normatively important features of policy development processes. On the political, procedural side, these values include transparency, the inclusion of those with interests affected by the decision, and a process that not only enables many different actors concerned with different values to express themselves but also allows individuals to deliberate and learn from these expressions, and in doing so, begin to think and act more like citizens than individuals with interests (Fung 2013; Fung, Wright, and Weil 2006). On the technical side, the values include an explicit representation of the values that are at stake in a given decision, an imaginative exploration of different ways of dealing with a given problem, the use of established facts and causal knowledge to make reliable predictions of likely consequences, and an exploration of utilitarian and deontological concepts in establishing priorities among potentially competing values.

John Dewey is perhaps the original source of this kind of thinking. In *The Public and Its Problems*, he set out a vision of democratic governance that focuses more on the continuous process of social problem solving using government as a convener and agent than on legitimating government action through elections or abstract principles (Dewey 1954). His concern is how citizens in a polity can find ways to act collectively to deal with the problems they see before them. He argues (paraphrasing Emerson) that we "lie in the lap of a great intelligence" that can be used to improve social conditions (Dewey 1954, 219). To do so, he argues that it is necessary for a public capable of understanding and acting on its own interests to be called into existence (185–219).

This core idea has been further developed by Archon Fung and James Fishkin (Fishkin 2009; Fung and Wright 2003). These contemporary political philosophers are developing a practical theory that both describes conditions that give more or less legitimacy to

a particular consultative process and offers practical advice to those who seek to organize deliberations that could, in fact, call a public into existence.

An important implication of these considerations is that not all expressions of public value emerging from democratic political processes are equally morally compelling. Of course, individuals or political factions guided by particular utilitarian or deontological principles are free to challenge any particular conception of public value. But in many respects, a more fundamental attack on a particular articulated conception of public value is that it emerged from a political deliberative process that was normatively flawed: it was insufficiently consultative with respect to those affected; it was insufficiently rigorous and imaginative with respect to possible solutions for the problems identified; or it gave insufficient time for a public to be formed out of a group of individuals. The challenge for public leaders and managers, then, is to strengthen that process of deliberation and, in doing so, increase the

There are features of the policy-making process that broaden, deepen, and particularize the general political legitimacy granted to publicly elected officials' choices about whether and how to use government assets to act on particular social condition.

legitimacy and quality of the choices made (Moore 1995, 106–89, 293–309).

So, while utilitarianism and deontology may serve well as the philosophical background to support the development of a public value framework, a well-organized political discussion—particularly in strong democratic societies that have developed and routinely deploy capacities for public deliberation—could provide a good philosophical basis as well (Sandel 2007).

Summary

All three of the philosophical traditions described here provide important guidance to those who would attempt to evaluate government actions and results.

The utilitarian framework pushes the public value accountant to pay attention to the material consequences of government action for the welfare of individuals and societies. This may entail measuring client satisfaction or individual willingness to pay to enjoy the benefits or avoid the costs associated with government activity. As noted earlier, however, there is also a *collective* version of utilitarianism that views the general public as the arbiter of value and assigns value to social outcomes directly. Both kinds of utilitarian concerns are important to incorporate into public value accounting.

The deontological framework insists on the importance of fairness in the way that government acts and the pursuit of justice and right relationships in society as an important end of government action. Ideas of fairness and justice focus on what both individuals and collectives think individuals in the society are entitled to. Public value can be produced at the individual level when government treats individuals with due regard for their rights and the specific benefits and privileges that society has directed government to supply to qualified individuals (such as public education, medical care, or housing). Public value can be produced at the social level when actions taken toward particular individuals are consistent with their

rights and privileges and help advance a shared vision of a just as well as a good society.

The democratic process framework focuses less on the impact of government action on individual experiences and social conditions than on the process by which a public was formed and became articulate about both the ends and means of government action. The important questions include the degree to which the policy-making process was appropriately inclusive, deliberative, imaginative, and accurate in predicting the consequences of proposed government actions. The legitimacy of any public value proposition increases as these qualities are more or less impressively reflected in the process surrounding public deliberations about public value creation.

Conclusion: Improving Social Capacity to Recognize and Create Public Value through Public Deliberation and Policy Making

This article's philosophical inquiry has first called into question the idea that the only appropriate arbiters of value are individuals making judgments about their own material interests. It has argued, in contrast, that the use of public money and authority means that the correct arbiter of public value has to be a collective public—imperfectly formed by the processes of democratic governance. The second key point is that when government acts, it often relies on the use of state authority to require individuals to avoid public harm or to advance the social good or to raise the funds it can spend to accomplish important public purposes. The third point follows directly from the first two: in evaluating government performance, citizens should and do invoke not only utilitarian views about what contributes to individual or collective welfare but also deontological ideas about the fair and just treatment of individuals by the state and the kinds of social relationships that would constitute a just as well as a good society.

Taken together, all of these ideas create a view of public value accounting that is more contingent and particular than might seem ideal. One can construct a general framework for recognizing public value, but such frameworks have to be filled out in particular circumstances to have much philosophical, political, or managerial value. An important implication of this observation is that progress in developing accounting schemes that can recognize public value in useful ways will be made not in one fell swoop but by successive application of these principles in particular concrete circumstances.

The good and the bad news is that democratic government provides many opportunities to do this work and to accumulate experience quickly. Each condition that society faces that the public views as a social problem to be solved or an opportunity to create public value creates both the opportunity and the requirement to develop a “public value account” for that particular condition. Each level of government and each associated polity facing each particular condition creates an occasion for both a public deliberation about what particular value they are trying to produce together and the creation of a particular accounting scheme that can express those values.

Given the pervasiveness of this activity, one can reasonably hope that, over time, different polities and different governments facing similar issues might gradually converge on a useful way to account for public value creation in those particular substantive domains. Once those accounting schemes converge and we begin to accumulate evidence within them, the society will know better not only what it values but also what it can actually succeed in producing. In effect, society will become not only more *reflective* about its values and its goals but also much more *knowledgeable* about what is possible to do. In this way, improving the philosophy and practice of public value accounting provides a path forward toward enhanced government accountability, improved collective decision making, and continuous learning about what is valuable and possible to do through government action.

Notes

1. Throughout this article, the word *citizen* will be used to describe an individual member of a polity who has standing to participate in the civic and political life of the polity and who enters that public life with more or less well-developed normative commitments to an ideal of citizenship in which individuals agree to give up some of their personal material interests and intolerance toward the views of others for a position that accommodates the views of others. This usage runs into serious difficulties in two different ways. On the one hand, it raises the legal and moral question of who has standing to participate in the political life of a polity. This, in turn, forces us to deal with a world in which many individuals live in countries where they are not legal citizens, in which the idea of citizenship (including in particular the right to vote) has been used as a means for excluding some members of society, and in which many believe there are universal human rights that slice through any particular polity's conceptions of those rights. On the other hand, it raises the question of whether individuals invested with the legal or moral status of citizens will actually think and act like citizens rather than as self-interested and intolerant individuals. In this article, I will use the idea of *citizen* consistently to describe an ideal of citizenship that emphasizes the behavior and moral commitments of individuals in the society rather than their legal status or their observed conduct. I wish there were some less fraught word I could use to describe individuals participating in the public realm of a democracy that lay between the concept of *individual*, on one hand, and *citizens* who serve as the bedrock of any normative theory of democratic governance, on the other, but I cannot think of one. So, at no small intellectual risk, and with much hope that the reality could come to match the aspiration, I will use the word *citizen* throughout the article. For some support of this idea of what it means to be a citizen, see Sandel (2007, 263–64).
2. This idea that the government uses its assets—particularly its authority—to shape the conditions under which citizens come together to deliberate about what they would like to accomplish with the assets of government is a core concept both in democratic theory and in the theory and practice of public value creation. The reason is that this structure of procedural rights create a public sphere in which citizens argue with one another about which conditions represent public problems and which among them are best managed by government. I will argue that the appropriate arbiter of value for the use of governmental authority and money in democratic systems is not an individual, nor a voluntary collective: it is, instead, a public that has been come into existence as individually held views of interests, duties, and visions of a good and just society are roused by observations of social conditions, and expressed through the processes and structures that democratic societies create for individuals to speak their mind in public (Dewey, 1954, 185–219). In recent work, Archon Fung and I have tried

This article's philosophical inquiry has first called into question the idea that the only appropriate arbiters of value are individuals making judgments about their own material interests.

- to show the relationship between the actions of public leaders and managers to help call a public into existence and to help it become both knowledgeable and articulate about its collective, public aims as a morally and practically useful kind of public leadership (Moore and Fung, 2012). Through this device, we can distinguish this concept of *public value* (that is, the set of values that a collective expresses in instructions to government about what they would like to see accomplished by government acting in society) from both a normative idea that links public value to the simple summation of individual preferences and from a purely positive account of how public policy is actually made in today's democracies. We take the position that any particular concept of public value (expressed in terms of a policy mandate) can be seen as more or less legitimate not principally by the degree to which it conforms to some philosophical standard or an empirical assessment of individual evaluations, but also by the quality of the collective decision-making process that lay behind any particular policy mandate. Specifically, we would look at the process in terms of such process characteristics as the degree to which it was consistent with established procedures, the degree to which it allowed those with affected interests to be heard, and the degree to which the process helped the participants come to think like citizens. We would also look at the process in substantive terms, including the degree to which the process recognized the full range of values at stake in a particular decision and the degree to which the process creatively explored alternatives for action. This is, admittedly, an idealized form of a democratic process, influenced by communitarian as well as utilitarian or deontological principles. Yet such ideal processes can be approached in real political life, and, to the degree that they are, we think that the concepts of public value that emerge will be more reliable, and easier to achieve (Moore and Fung 2012).
3. In adding up the assets used by government on public action, one could also point to "public spirit"—the desire to contribute to public purposes—as an asset. Figure 1 locates public spirit in individual desires to contribute, but also in the voluntary civic associations that arise to take civic action and in the political associations that arise to make claims on the authority and money of the state. An important question of democratic governments is how much room they allow or create to permit the development and expression of public spirit, what particular institutions serve to engage and channel those motivations, and how this force helps define and advance public values to be pursued through the use of government assets. For an elegant discussion of these issues, see Edwards (2004).
 4. A perceptive, philosophically trained reader will also note that there is a lot of room for introducing some communitarian ideas as well as utilitarian and deontological. In fact, the whole argument that depends on helping individuals become citizens who can understand and act on their own interests is primarily a communitarian argument. I am indebted to my colleague Marshall Ganz for repeatedly emphasizing this point. I am also indebted to my colleague Archon Fung for helping me develop this point. The article ends with a quick but, I hope, useful treatment of this procedural and communication idea of public value determination.
 5. The distinctions among an individual evaluation, a voluntary collective valuation, and a public evaluation of conditions in society are subtle but important. These distinctions are set out conceptually in figure 1 and explained later.
 6. In ordinary language, these might be described as public goods, or goods that were valued by a public. But starting in 1954, economists appropriated the language of the public good to refer to a very specific idea about particular kinds of goods that would create practical and normative problems for a market economy. What was problematic to them about the commonsense idea of a publicly valued condition, good, or service was precisely that such things were not valued by individuals. As Paul Samuelson (1954) wrote, "I assume no *mystical collective mind* (emphasis added) that enjoys the collective consumption goods." The idea of public value as it is developed in this article differs significantly from the idea of a public good as economists think about it. It is much closer to the ideas of merit goods or a concern for equity that found a place in economics only as a part of a subfield called "public finance" (Musgrave and Musgrave 1989).
 7. This does not mean that government has mastered its ability to recognize costs in its accounting schemes. One problem is that costs are collected in categories that correspond to organizational units and in object classes such as labor, equipment, contracts, and so on, rather than in terms of the activities, functions, or outputs being produced by government. This makes it difficult to compare costs and outcomes. A second problem is that government does not have very good ways of recognizing and accounting for capital costs associated with future risk and liability. It is much better at operating expenses. The solution to the first problem is to make greater use of activity-based accounting. The solution to the second problem is to develop methods for estimating future financial risks to government and to establish rules for reporting those financial risks. On the idea of activity-based accounting, see Cooper and Kaplan (1992); on the problem of government accounting for financial risk, see Leonard (1986).
 8. Of course, this is less true if the individual being obligated by the collective attaches some positive value to doing his or her duty to fellow citizens. That is why it is important to socially legitimate the authority—to give all the reasons that could support an individual's grudging willingness or prideful desire to do the right thing (see Tyler 2006).
 9. This position endorses a principle of democratic communitarianism that gives significant standing to the moral intuitions of individual citizens, particularly when they have been forced to give public reasons for their views and have engaged in deliberation about public value. They may still be wrong, of course. See Gutmann (1985) and Gutmann and Thompson (1996).
 10. Here the door opens wide for bringing in ideas of procedural democracy and communitarianism rather than abstract principles of the good and the just that arise from utilitarian or deontological frameworks.

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