

1. Introduction: History of the Project and Background to the Problem

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Abstract

The reader is to be introduced by various ways into the topics of this volume: the context of discovery and the state of discussion which led to the project as well as the way the research group was formed and has worked is presented first. A sketch of the 'red line' of the volume follows, giving an overview of the topics of all chapters and of the structure of the volume. In the last section the pragmatic context of what the volume is aiming at is discussed: To develop conceptual frameworks which help to understand the structured complexity of relationships within the public sector as a device to redefine situations for the actors concerned. The interdisciplinary framework gives greater insight into the conditions of functioning in the public sector than traditional theories in various disciplines. Moreover the international composition of the research group helps to overcome particular perspectives of national traditions and to develop a more general framework.

1.1 Introduction

The present volume has two histories: the history of its subject and the history of its genesis as a joint effort. Both are intertwined.

The *subject* of this volume is an attempt to explain the functioning of what is conventionally called the public sector. Political theory, which traditionally focused on the state or on government, is now challenged by economic and sociological considerations broadening the scope of politics and policies into what was conventionally considered as private. This shift in academic emphasis corresponds to a growing interdependence of polity and economy, and the involvement of both with the everyday life of most people. The German distinction of *Staat* and *Gesellschaft* allows one to conceptualize this growing interdependence as the "*Verstaatlichung der Gesellschaft*" (politization of society) and the "*Vergesellschaftung des Staates*" (socialization of the state) (Habermas 1962). The English terms "welfare state" and "mixed economy" refer to similar issues, but they have not been explored as deeply in political theory. This has led some to argue as Sharkansky (1979) has done about a "withering of the state".

In political theory the 'state' or the 'government' is considered to be the steering center of a society. Classical political theories were already aware, in criticizing the absolutistic state, that the complexity of modern societies does not allow the unlimited dominance of a political center without seriously damaging their productive and adaptive capacities. The differentiation of a self-contained state and a

market-regulated economy was the institutional answer of the 19th century to the problems of growth and order, but the relationship between them was always contested by the ideological mainstreams. To understand the problems of the public sector, however, it is not sufficient to deal with the relationship of economy and polity. We must incorporate a third aspect of modern societies that has been emphasized in political as well as in economic theory, a domain conventionally called the social services. They may be regarded as the organizational outcome of the welfare state and their size as well as their impact upon the everyday life of most citizens has grown substantially during the last decades. We therefore have to ask how, to what extent and under which conditions the state or the government is able to influence what happens with the provision of goods and services, taking into account the self-regulating powers of the systems concerned.

Thus the subject of our inquiry is related to (1) a better understanding of the problems of 'governability' in modern welfare states, i.e. – in terms of the present approach – the 'steerability' of public sectors; and (2) a better understanding of public sector performance which seems to be inextricably linked to the problem of the coordination of a multiplicity of actors within the public sector. Theories that have emerged in various disciplines will be screened for their possible contribution to a more comprehensive approach to the reconstruction of coordination problems in the area of guidance, control and performance evaluation. More specific issues of administrative control will also be considered.

The history of the subject is more complicated than the history of the project this volume results from. The *origins of the project* go back to January 1970, when the present author, then designated Dean, employed Friedhart Hegner as an administrative assistant in the recently founded Faculty of Sociology at the University of Bielefeld. We agreed to work together beyond the time of my responsibilities for faculty affairs, on a topic that we called "Bürgerrechte und Verwaltungsstaat" (civil rights and the administrative state). Our concern was not about the then very topical issue of democratization (as citizen participation in policy input), but about policy output and the impact of growing administration upon the lives of citizens. Together with Dieter Grunow and with support from the Stiftung Volkswagenwerk we started field research in 1972 into the relationships between tax offices and tax payers (cf. Grunow et al. 1978). In 1975 I was assigned by the Federal Ministry of Research and Technology to coordinate a research program dealing with similar issues in the field of local social policy, which included reference to several levels of policy-making. Grunow and Hegner were among the senior research staff (cf. Kaufmann 1979). In 1977 Renate Mayntz and Fritz Scharpf asked us to join a research program on implementation research (cf. Mayntz 1980, 1983). The discussions within that group sharpened my interest to a more comprehensive view of political processes. My own work was related mainly to economic sociology and to social policy; and I became aware of both shortcomings and parallels in various disciplinary approaches to analyzing the public sector. Thus, when I was asked to join the directorate of the "*Zentrum für interdisziplinäre Forschung*" (ZiF) in 1978, I put forward plans for a research group on "Guidance, Control and Performance Evaluation in the Public Sector".

The *basic idea* was simple. General agreement exists that markets have a high capacity for coordination, i.e. they are effective in allocating resources in a way

that satisfies the needs of consumers and motivates producers to behave efficiently. Market mechanisms enable producers to make decisions in allocating resources to yield goods and services (*guidance*). Markets grant benefits and impose costs that act as sanctions (*control*). And, they give consumers an opportunity to *evaluate* products in deciding whether to buy them again or not. The major achievement of economics is in explaining how this coordination of multiple actors operates, and in specifying the necessary conditions for efficient coordination. The elegance of market theory has led the mainstream of Western economists to assume that markets are the uniquely efficient mode of coordination among multiple actors. As economic steering by markets and by central planning became distinctive features in so called capitalist and socialist societies, the thesis of Ludwig von Mises (1922) – that efficient steering of economies by political planning is impossible – became a kind of liberal dogma that affected discussions about politics in Western societies. Economic freedom was seen then as a necessary correlate and condition of political freedom (cf. e.g. Jöhr 1948; Hayek 1967). By contrast, the sociology of Max Weber emphasized the rational character of the modern state; and the emergent policy sciences, drawing upon Weber, assumed the capability of the state to exercise rational control over public policies. I was convinced neither by the case against effective political problem solving in market-theory, nor by the assumptions of goal-oriented rationality in the political realm. I wanted to understand instead why and under what conditions policies work, how they work, and why performance within the public sector seems to be neither as bad as expected by market theorists and liberals nor as efficient as hoped for by policy-scientists and socialists. I always felt that political problem solving was a different kind of problem than economic optimization. Law is its basic medium, not money, even though raising and spending money is a substantial issue in policy evaluations. Traditional political theory (including public law), however, never explained how policies worked to yield effects, but at its best suggested how they ought for perform. I therefore participated in evaluation-research and implementation-research efforts that were concerned with policy throughputs and outputs; but I also experienced difficulties in generalizing their findings and the array of facts could not be composed into a clear picture.

I therefore went back to more general questions and proposed to form a research group on guidance, control and performance evaluation in the public sector at the Center for Interdisciplinary Research (ZiF) at our university. This center for advanced studies eventually allocated funds to invite a number of scholars to come to Bielefeld for the academic year 1981/82 and to form such a research group. The subject seemed to be ‘ripe’ for an interdisciplinary endeavour, because there had been a growing concern about the public sector in various disciplines of the social sciences since the 1960s in the United States and since the 1970s in Germany¹.

1.2 Approaches of Various Disciplines

A short sketch of the issues may give an idea of the manifold facets of the subject that had to be taken into account. I shall try to emphasize at the same time some differences between the American and German traditions that were not con-

sciously held at this time but became factors that were essential to intellectual progress in the research group.

It seems appropriate to begin with *Political Science and Sociology*. Several distinct approaches including the various policy sciences, theories of planning and decision-making, the social-indicator-movement, and evaluation research had developed in the United States during the sixties (see Hellstern: Ch. 14). They all aimed at direct contributions to improve the capability of governments to perform a more active part in the then desired transformation of societies. With the development of implementation research (see Sabatier: Ch. 15) political scientists became increasingly aware of the internal complexity of the political system. The need for a more complex approach became apparent (cf. Ostrom 1974). Here the linkage between the policy science approach and more elaborate concepts of the political system (seminal: Easton 1965) led to a theory of the political process that allowed topics of politics and policy analysis to be related in a common framework of problem articulation, program formulation, program implementation and evaluation (cf. May and Wildavsky 1978; Majone and Wildavsky 1978). The reception of these various ideas by German scholars (e.g. Schaefer 1974; Mayntz 1977; Hanf and Scharpf 1978), revealed an effort to link various American approaches in order to reach a higher degree of theoretical complexity².

Germany Public Administration is traditionally a domain of lawyers. Their work had its influence upon issues of the state and of politics in the public sector. *Administrative science* is very institutional in its approach, and only a few scholars worked on our problem in the early days (cf. K. König 1974; E. Bohne and H. König 1976). Most influential was the work of the sociologist Luhmann (1968, 1971) whose approach in terms of systems theory seemed, however, to be somewhat too general for a new paradigm of administrative science. In public law there was almost no attempt to take account of the new developments in political science that challenged the established normative reasoning by emphasizing the internal dynamics of bureaucracy and a loss in the momentum of law in processes of implementation and service delivery. This issue has been picked up on only recently (cf. Wahl 1980). Nevertheless, the continental tradition of 'steering by law' has persisted as an important line of thought, and forms a kind of contrast program to the more entrepreneurial American theories (cf. Grimm: Ch. 4).

In the field of *economics* one can observe a curious shift in interest between Europe and America. From its beginning European economic thought was concerned with the state and with economic policies.³ After World War II this interest withered under the influence of Anglo-Saxon 'Marshallian' and 'Keynesian' economics. By contrast there was a growing concern with public finance in the United States, which eventually led to economic theories of political and administrative behavior (Downs 1957; Black 1958; Buchanan and Tullock 1962; Olson 1965; Niskanen 1971). Most of these and other approaches remained separate, and it was only in the mid-seventies that a more comprehensive approach became apparent (cf. Buchanan 1975; Müller 1976; see also Shubik: Ch. 28). Besides the mainstream of what is now called the 'new political economy', several other approaches including comparative economic systems (e.g. Neuberger and Duffy 1976), neo-institutionalism (cf. Gruchy 1972; Williamson 1975) and the economics of property-rights (cf. Furubotn and Prejovich 1974) had to be taken into account.

Thus new developments in institutional economics and in institutional analysis (cf. E. Ostrom: Ch. 22) offered opportunities for renewing interest in the steering function of rules beyond the steering function of markets.

These approaches were reluctantly received in Germany. Here, the neo-Marxist wave of the early seventies had shaped another interest in the relationship of the polity and the economy that was also called 'political economy' (cf. Frey 1974). The niche for a rather rough neo-marxist thought in Germany resulted from a growing gap between economics and sociology in Germany. The influence of American traditions, marked by a strong separation between economics and sociology, had become overwhelming; and the traditional linking of economic, political and social problems in the German historical school had broken down (cf. Kaufmann 1982a). There remained, however, some interest in problems of public enterprise (cf. Thiemeyer 1970) and in problems of economic order in the tradition of *Walter Eucken*, that now became slowly oriented to a theory of complex systems (cf. Krüsselberg 1972; Leipold 1976; Schenk 1978).

Theoretical and empirical approaches to the problems of the *welfare state* remained separate from these lines of thinking. Seminal was the tradition at the London School of Economics (Titmuss 1958; T. H. Marshall 1964; Robson 1976), American studies remained scattered (Wilensky 1975; Janowitz 1976). In Germany a great tradition had been forgotten until the mid-1970s, when research and discussion began on a large scale (cf. Kaufmann 1982b). With respect to the present volume, issues concerning the welfare state are relevant mainly to problems of coordination for the social services which have emerged from charitable institutions and the household's economy and have not – as it is conventionally assumed – been differentiated from the market economy (cf. Kaufmann 1979: 25). Therefore they constitute a specific segment of the public sector with their own coordination problems which should not be confused with the problems of a 'mixed economy'.

Finally there are some books which have directly inspired the present approach. Among them, Dahl and Lindblom (1953) was of paramount importance. Its complex and interdisciplinary approach was the intellectual model for what I hoped the research group would perform. Of course the thrust of Dahl and Lindblom has been seminal for much of the work of the 'new political economy', but as far as I can see, no attempt has been made to integrate the various issues of coordination and control into a common framework. Apart from this the works of Deutsch (1963) and Etzioni (1968) and of course the 'classics' of Walter Eucken (1944, 1955) have been important intellectual sources for the approach of analyzing coordination problems as problems of guidance, control and feed-back.

1.3 Drafting the Project

This very sketchy overview shows the interdisciplinary character of our subject as well as the need to include political scientists, sociologists, lawyers and economists in the research group. When I started to plan the project in 1978 I was still not prepared to enter such a wide field. In the beginnings I was thinking more of a comparative inquiry into two or three policy areas in order to describe the modes of

control and evaluation used there and to explore the conditions of fit or lack of fit with the guiding goals or standards. This method of inquiry would have necessitated close cooperation between social scientists and practitioners in the research group.⁴

A growing awareness of the apparent convergence of various disciplinary approaches to public sector problems suggested a second method of inquiry, i.e., to try an interdisciplinary approach that focused directly upon theoretical issues and conceptual problems. The convergence of interest among scholars from different academic disciplines offered the prospect of an interdisciplinary community of scholars addressing a new group of problems of political, economic and social developments which had been of central concern in earlier German scholarship.

In the spring of 1980 these two approaches were discussed by a preparatory committee, which strongly recommended the more theoretical inquiry of the second approach. The project was then drafted as a proposal which I sent in the summer of 1980 to scholars whose interest I hoped to win. This proposal is given as *Appendix* to this chapter. It shows a very broadly based program, and the reader should of course not expect to find answers to all the questions raised by that proposal in this volume.

In autumn 1980 about 35 selected scholars met with the preparatory committee at ZiF. They had been divided into two groups that met separately, and every scholar was invited to present his own possible contribution to such a research group. From these discussions a kind of short-formula for the common work emerged that focused on the question: "What institutional arrangements could provide for the way people, as representatives of organisations and actors in organisations, behave in their decisions and actions so that the resulting output of these organisations contributes to attaining those political and societal goals which legitimize their existence?"⁵ This question has proved to be too narrow to encompass the interests of the participants of the group, as the reader of this volume will easily recognize.

1.4 How the Research Group Worked

The final selection of the members of the research group was, of course, a multivalent decision process which took account of the suitability of individual research interests to the general topic, of a mix among the representatives of various disciplines, of the temporal availability of the scholars and of their expected contributions to group work.

The research group met for a planning session in June 1981 and then, together with the preparatory committee and with some invited scholars, for the opening conference in October 1981. This conference dealt with five topics: (1) problems of governability, (2) typologies of different forms of public action, (3) hierarchy, markets and solidarity as modes of control, (4) approaches to the theory of bureaucracy and (5) problems of performance analysis. From November 1981 to February 1982 the permanent group was small and comprised 5–6 members from abroad and 4 members from Bielefeld University. The most intense group work was from March to July 1982, when about 12 members from abroad were permanent guests at ZiF. Four members from abroad participated without formal

leave from their home employment and joined the group from time to time for several days or weeks. Moreover, some of the guests of the group became engaged for a longer time in the group's work and also contributed to the present volume. As the list of contributors shows, most participants came from Germany, the United States and the United Kingdom. Consequently, English and German served as the languages of communication. The enhancement of language skills as well as the growing understanding of different political cultures were not the least results of this joint venture.

The group met every Wednesday and more often within sub-groups interested in specific topics. Initiative was left largely to the members to plan common work, and the facilities at ZiF allowed for the organization of several workshops with scholars and practitioners from abroad.⁶ This interdisciplinary interaction became a stimulating experience. But the variety and complexity of the issues involved became more and more apparent.

There was a time when the present author seriously doubted that a coherent product of the group's work would ever be attained. Consequently, his first proposal for a final report was modest and comprised a selection of the papers produced on various occasions within the group's work, ordered along the line of a general argument. But the unexpected happened: the group refused to puzzle only over the papers already written and began a joint effort to develop this line of argument more substantially. At the end of two weeks of intensive discussions, a draft for the present volume was designed and the tasks for everybody defined. This was the state of affairs when the group left in August 1982. Some uneasiness remained about whether the vision of a fully-coordinated work would be strong enough after everybody was back at his usual desk facing different tasks. Thanks to ZiF the group met again for a week in June 1983. This meeting was to provide the occasion for a thorough discussion of the first drafts of the chapters for this volume. Most drafts came late, but they came. This caused some hectic night work, but at the end of the conference 38 papers were discussed; the structure of the volume was refined; some additional papers were commissioned and some were joined or dropped. There was a general feeling that the months spent together had improved mutual understanding. Every author received a written summary of the discussion of his paper and comments from the editors. In this way manuscripts were prepared which form the chapters of the present volume. Where necessary, authors got additional comments from the editors who met for a last time in February 1984, and revised their papers accordingly.

1.5 The Red Line

It is obviously impossible to attain the coherence of a monograph when a group of more than twenty people from various disciplines is working together. We assume however, that this volume has a line of argument that helps to clarify what the public sector is about; how its functioning can be explained; and how coordination and control among the actors involved may operate for more or less satisfactory results. The "red line" highlights the basic theme that runs through the structure and content of this volume.

Part 1 The Challenge: Problems as Contestable Issues

One of the basic experiences of the group was the multiplicity of political conceptions and institutional arrangements that may affect guidance, control and evaluation in the public sector. Traditional approaches in the social sciences, as well as political positions tend to underscore the range of possible solutions, as is revealed by a comparison of various national traditions. Even the notion of a public sector, far from being well-defined, is itself a subject of controversy with regard to its domain as well as to the role of state power in its guidance and control. The present volume makes an attempt to find a language for dealing with the political issues involved, without falling back on traditional points of view. We have tried to find levels of argumentation that allow for comparing the differences in the steering capacities involved in the constitutional and institutional arrangements of and in various countries. Awareness of differences must precede speculations about advantages and disadvantages, as the marginal effect of differences can only be construed in context.

In analyzing the public sector we could no longer think about a centralized state implementing some policy, rather we recognized a highly differentiated sector within which different forms of coordination and a redundancy of control mechanisms are operating. This means that the alternative to centralized coordination in practice is not limited to a kind of reduction of the public sector in terms of implementing more market mechanism (privatization). There are diverse forms of coordination that should be taken into account.

Chapter 1 gives an overview of the genesis and the issues of the project, including a short sketch of academic positions of interest to the present approach.

Chapter 2 deals with evidence and controversial issues of research concerning the evolution and the bureaucratization of the public sector. It sketches the 'real basis' of the *challenge* with which the research group has dealt.

Chapter 3 identifies and examines some basic assumptions of previous theoretical approaches to analyzing the modern public sector. It shows the shortcomings of policy science and public finance as a point of departure for the more complex frames of reference that are developed in later sections.

Part 2 The Public Sector: Constitutional and Conceptual Problems

In Western societies (to which our study is confined) the continental European tradition conceives the public sector as being related to a strong political center (the 'state'), whereas the Anglo-Saxon tradition conceives 'government' as being a more personalized and potentially multi-centered form of public authority.

Chapter 4 and *Chapter 5* present these two intellectual traditions of constitutional thinking and indicate their implications for basic features in the factual political constitutions of some countries in Europe and North America.

Chapter 6 analyzes the process of modernization of Western societies in terms of political and sociological theory with emphasis upon the developments of the so-called welfare state. The conception of a 'public sector' then emerges as a consequence of the growing interdependence of the highly organized activities of formally private actors and the political intervention of public actors. As this

growing interdependency it itself controversial in scope and structure, the definition of the public sector becomes a contestable issue. This will be elucidated in *Chapter 7* which discusses statistical problems of the public sector both in terms of method and of content. The subsequent chapters give conceptual and empirical evidence of structural differentiation within the public sector.

Chapter 8 deals with the impact of different political structures upon the possibilities of centralized politics and analyses the patterns of coordination and the consequences of local government reform in England.

Chapter 9 shows the widening variety of organizational arrangements between pure government/state and private activities, comprising quasi-private and quasi-public activities. The difficulty of defining and delimiting "sectors" becomes apparent in this chapter.

Part 3 Guidance, Control and Evaluation

In light of the previous sections, the question of the functioning of the public sector can now be restated in terms of guidance, control and evaluation. Given a multiplicity of actors variously dependent on the powers of political core structures and potentially able to influence the operation of those powers to a varying extent, the question arises as to how their actions may be coordinated in the long chains of action typical of highly complex societies. This necessitates processes of standard setting and standard using as well as institutional arrangements providing for some forms of control, mutual adjustment and learning in intraorganizational and interorganizational relationships.

Chapter 10 gives an exposition of such ideas and shows that the coordination of guidance, control and evaluation in the public sector is more precarious than in pure market relationships, but not impossible. It requires a multiplicity of coordination mechanisms (cf. Part 4) and forms of control (cf. Part 6).

Chapter 11 deals with questions of 'oughtness' under the conditions of limited rationality. Finding acceptable criteria of choice and standard setting necessitates a normative inquiry that accounts for the fallibility of human understanding, for nonsymmetries in human relationships and for the inevitability of human order.

Chapter 12 approaches the problem of setting institutional constraints to take account of normative considerations by means of the formal theory of utilitarianism, whereas *Chapter 13* analyzes the question of how group-egoism within the public sector may be controlled by a strengthening of ethical orientation and how this could be made operative in the public context. The next chapters give an account of two mainstreams of recent policy research: evaluation research (*Chapter 14*) and implementation research (*Chapter 15*). Their findings are related to the issue of using scientific knowledge for policy analysis as well as to the issues of guidance, control and evaluation.

Finally *Chapter 16* deals with problems of intraorganizational conflict and problems of multigoal achievement within the public sector. The cybernetic view gives an explanation of how conflicting goals and multi-dimensional standard-setting and standard-using may nevertheless lead to satisfying results.

Part 4 Comparing Institutional Modes of Coordination

To perform the functions of guidance, control and evaluation a multitude of procedures and institutional arrangements have emerged in the course of human history. The chapters of this section try to develop a comparative typology of characteristic institutional modes of coordination operating within the public sector. Besides the already classic types of markets and hierarchies (*Chapter 17*), there will be an analysis of other well-known forms contributing to guidance, control and evaluation of human interaction, i.e. solidarity (*Chapter 18 and 19*), votes and vetoes (*Chapter 20*) and mutual adjustment by debate and persuasion. (*Chapter 21*). From a systematic point of view a further chapter dealing with third party intervention (e.g. adjudication, mediation, arbitration) is lacking here. The section closes with some methodological considerations of institutional analysis in terms of a configuration of rules that may also open a way to a more formal treatment of the problems of using rules to steer and order relationships in the public sector (*Chapter 22*).

Part 5 Coordination in Interorganizational Relationships

As has already been outlined in part 2, relationships among many organized actors with separate interests, goals and strategies are the dominant feature of the public sector. Compared with interactions among individuals, interorganizational relationships involve a shift in complexity: individual motives and preferences become more patterned whereas the representatives of organizations have to consider both the opportunities of the organized environment as well as the restrictions emerging from intraorganizational relationships.

Chapter 23 analyzes federal systems as institutional arrangements for solving issues of interorganizational coordination whereas *Chapter 24* applies institutional analysis to the problem of linking action arenas.

Chapter 25 draws the lesson of a comparative approach to the solving of one type of interorganizational problem (river pollution) in three countries and shows that the achievement of specific goals is attainable through various institutional arrangements. There is no 'one best way' for organizing the public sector.

Chapter 26 focuses on the changing relationships of government and associations. It gives a survey of historic developments as well as an analysis in terms of network theory.

Chapter 27 reconsiders the problems of planning in the light of a more decentralized conception of the public sector and shows that the capacity for problem solving within the public sector is by no means bound to the limits of central control. Shortcomings have to be seen less as a consequence of perception of the problem than as a lack of interorganizational devices to promote processes of long-term mutual adjustment.

The section closes with the exposition of an ambitious program for modeling complex processes within the public sector with the help of game theory (*Chapter 28*).

Part 6 Accountability, Performance Evaluation and Control in Public Administration

This section narrows and deepens the focus of inquiry to public administration as an essential part of the public sector. How is public administration to respond to the standards set by politics? Whereas classical theory of bureaucracy assumed conformity as self-evident, modern approaches tend to emphasize the many degrees of freedom and discretion if not arbitrariness within and among various units of administration. The proposed approach keeps within the polycentric view of the public sector previously developed and emphasizes the selectivity of various modes of control and consequently the necessity of redundancy in the structure of controls within the public sector. 'Overcontrol' is a consequence of one-sided emphasis on particular modes of control and particular standards, whereas redundancy of control means an interpolable balance of several modes of control acting often independently and focusing on different standards of performance. This idea is expanded in *Chapter 29* which also introduces various aspects of control theory.

Chapter 30 gives an introduction to evaluation problems, thus making some issues presented in part 3 more concrete. Control is useful only insofar as it uses standards that are related to those determining the guidance of processes within the public sector. The problem of multiple, non-comparable goals is discussed and considerations for a realistic design of evaluation are proposed.

The subsequent chapters deal with various, more or less institutionalized modes of control: within a single administration (*Chapter 31*), by law courts (*Chapter 32*), by members of legislature (*Chapter 33*), by audit courts (*Chapter 34*), and by citizens who are affected by particular interventions of administrative agencies (*Chapter 35*). Finally, an understanding of the operation of multiple forms of control is deepened by the concept of an interpolable balance of controls, that may be effected not only by formal but also by informal modes of control (*Chapter 36*).

Part 7 By Way of Conclusion

In the concluding *chapter 37* the editors summarize the thrust of the present volume and relate it to some intellectual antecedents. They emphasize the importance of linking experience and theory in a normative inquiry about institutional design.

1.6 What About this Book

The usefulness of the social sciences is contested. Most of their research findings and writings seem to be of no practical use. Politicians and practitioners in public administration will search in vain for practical recommendations, for proposals of action or for reorganization in this book. This might be deceiving in the context of a subject that is so much related to political issues. We maintain, however, that the kind of work we have tried to do may generate practical consequences. It is the aim of the remaining pages of this Chapter to explain why and how these inquiries are related to political practice.

Today the state is under attack, at least in the countries from which most

members of the research group came. Its potentialities are contested from both sides of the political spectrum and great words like 'crisis', 'bureaucracy', 'loss of legitimation', 'privatization' etc. flow easily from the lips of the protagonists. Critics 'from the Right' assume that governments have taken over too many tasks in transferring them to the public sector, and that this accounts for unemployment, the current fiscal crisis, and more generally the alleged crisis of governability in modern states (cf. e.g. Dettling 1980). The arguments referring to the latter are not always explicit, but there is always a charge against 'bureaucratization', even though the subject remains rather vague: the administration itself, the conditions of everyday life, and of society at large (cf. Grunow 1982). Critics from the Right consequently demand a reduction of the public sector, 'privatization' of public tasks, and a concomitant alleviation of the tax burden. 'Privatization' is understood mainly as a substitution for publicly planned provision of services by market provision. There should be 'more private initiative' that is assumed to be strangulated by the public tax burden as well as by the growing impact of public regulations. Governments that concentrate on their 'genuine tasks' of maintaining order and security are, however, assumed to work efficiently.

The critics from the Left strikingly resemble those from the Right. They also – and even more vigorously – claim that there is a fiscal and a political crisis in western societies, but their explanation differs. Allegedly the crisis is due to the antagonistic character of capitalist societies, to the unstable relationship between economy and polity (e.g. Gough 1979). The pretention of the state to be a *pouvoir neutre* is contested as well as its power to balance in the long run the opposite claims of various social groups. In trying to do so, they assume, democratic governments will necessarily engage more and more in new tasks and interventions and eventually be overloaded both in terms of fiscal demands and steering capacities. And when the illusion of democratic problem solving becomes apparent, they expect a loss of public authority, a gap of legitimacy that will lead to a deeper crisis in society. Within that broad view one may distinguish a traditional leftist 'orthodoxy' that continues its claim for a stronger state and for weakening the 'anarchic' forces of the market. But the stronger movement today seems to be directed against both the highly organized economy of big business and the bureaucratized state. The 'alternatives' argue neither for markets nor for the state, but for cooperation and regulations within small groups, for a 'new solidarity' (Hoefnagels 1979). The kind of progress that has been linked to organizational growth (or, as we conceive it, to a lengthening of chains of action) is assumed here to become essentially counterproductive and therefore to lead to a crisis of both, the economy and the polity.

Even reformist thinkers begin to question traditional assumptions about political potentialities for problem solving. Instead of generalizing forms of political intervention they postulate "a growing intelligence and precision of the state's stake of resources" and a "more intense and differentiated interaction among public administration, business and trade unions" (transl. from Scharpf 1979: 25). There is growing acknowledgement that the present forms of governmental intervention are reaching limits of effectiveness. Besides the scarcity of fiscal means (that should in fact surprise no one and was foreseen already by Schumpeter 1918), there is a new development that challenges the continental conception of the state and heavy

reliance upon the law: the multiplication of political interventions as well as growing concern about equality and the protection of citizens against the alleged arbitrariness of public administration (cf. Böhret and Jann 1982) has led to what is called an 'inflation of laws' and the 'juridification' (*Verrechtlichung*) of society.⁷ As nobody is able to gain a general overview, there exists a growing likelihood of conflicting norms and of a new form of administrative discretion, i.e. in deciding which norm should be applied in a concrete case. In many domains only a part of the norms in force are factually applied and its application controlled (cf. Wagener 1979). Moreover, at least in the federal system of West-Germany, a growing immobility results from the fiscal interdependencies of central, regional and local government (cf. Scharpf et al. 1976). There is, therefore, a growing concern about the "bureaucratic costs of the legal and social state" (Wahl 1980). Some compare the modern state with a dinosaur that has grown too big and is therefore condemned to die out.⁸ At least we have to acknowledge a *growing entropy* in what is called the public sector; the amount of energy that is needed for coordination within and between public organizations is growing faster than their output in services to society. Hence a project that pretends to deal with "Guidance, Control and Evaluation in die Public Sector" may easily get credit. But will we live up to it?

The first message of this volume is a frustrating one, namely, that everything within the public sector is more complex and more complicated than 'great words' and traditional positions assume. For some this message is trivial, for the others it is discomforting and seems neither helpful nor suggestive.

The second message is a challenging one: if we don't develop theories that account for the growing complexity of the public sector, we will not be able to conceive ways out of the actual political confusion. This message challenges both social scientists and the partisans of different political creeds. And it is of course also a provocation to those for whom a politics of muddling through is the only remedy. The message says that first there should be an endeavour to redefine the situation before action is undertaken. This of course will be acknowledged as "standard scientific idiosyncrasy". Thus, the second message needs some explanation.

Human action is always related to cognition of a defined situation. Human cognition is essentially dependent upon culturally bound definitions as they are provided in everyday life by normal language⁹. We communicate within 'shared realities' and communication loses its power insofar as we are unable to relate to shared conceptions of reality. This is not only true for our everyday life but also for behavior within and among organizations. Members of an organization tend to develop shared conceptions that are particular and more or less unknown to outsiders.

Nearly all relevant interaction within what is conventionally called the public sector is *organization-related-interaction*, i.e., it takes place among the representatives of organizations or among position holders within an organization and across organizations. Even the most secret and informal contacts among persons that concern political or administrative issues will be essentially related to the positions of these persons within political and administrative frameworks. There is no position-free communication that is relevant for public issues. This of course is itself a consequence of the emergence of modern governments and administra-

tions. Former sovereigns were more dependent on personal relationships that were extensions of households and of long-established feudal bonds.

Insofar as persons interact as representatives of organizations there will therefore always be three frames of reference operating in the mind of the actor: the frame of reference of the *individual actor as a person* (e.g. his assessment of his personal interests, his sense of justice and his identity), the frame of reference of the *organization* he is representing and the frame of reference of the *interaction* he is participating in. The latter frame consists essentially of the history of the interaction itself (and representatives normally meet repeatedly), but it is defined also by the relationships among the organizations they are representing. This interorganizational network of relationships usually exceeds the range of knowledge available to actors but they are nevertheless operative. Besides contractual rules and contested issues, a large number of explicit norms and rules normally define such interorganizational relationships. We find here an example of *the real complexity facing actors within the public sector*. But until now there has been no theory that accounts for such complexities. Theories either consider organizations as corporate actors and neglect the individuals that act as representatives, or they assume – following some of the precepts of methodological individualism – that only individual actors matter.

Analytical methodology as it is reflected in current social science research is hardly an adequate guideline for dealing with such problems. Its aim is to reach generalized conclusions by sorting out a small number (seldom more than two or three!) of dimensions or factors which are assumed to be the most relevant for a wide range of phenomena and by neglecting the context in which these factors operate. Thus, analytical models of thought remain clear, well-defined, and simple. But they cannot be helpful, if the real problem consists in a reality of overwhelming complexity which seems not to be simply contingent (and hence inaccessible to any intellectual ordering) but structured and even more or less apparent to the relevant actors (cf. Mayntz 1985). They then do not need a small set of general assumptions (as valid as they may be) *but cognitive devices to understand better the complexities in which they act*. Therefore, the thrust of the present volume consists mainly in developing new (or at least more consistent) conceptual frameworks which attempt to give greater insight into the paramount features of and conditions of functioning in the public sector than traditional theories in various disciplines. The fact that researchers of different national and disciplinary backgrounds were able to communicate about this topic and to reach a basic understanding shared by most of them merits attention. It gives hope that these conceptions are less idiosyncratic, less one-sided and more comprehensive than those to which we are accustomed.

Whether we like it or not, we have to acknowledge that one very effective practical impact of the social sciences is their *contribution to collective conception and definitions of reality*. Our shared conceptions of ‘the market’, ‘the state’ or ‘public interest’ are cognitive “sediments” of former scientific inquiries that had been disseminated, became accepted by different social groups and have even become a part of general public opinion.

If therefore it is true that human beings are unable to perceive ‘reality as such’, but always act in defined situations where interaction takes place only upon the

basis of shared conceptions, it becomes crucial that these conceptions account for the operating rules and forces that establish order in human societies. As these rules and forces as well as their interaction have grown substantially and have been transformed into organized patterns of relationships, *we also need shared conceptions that allow those changing relationships to be taken into account*. Patterns of organized complexity in modern societies are likely to manifest patterns of relationships which are counterintuitive. *Based upon 'commonsense' conceptions we imagine disorder and chaos, but further inquiry often reveals a deeper, more complex order*. Most of our conventional thinking about public and private, about planning and markets, etc., has been made obsolete by the processes of historical evolution and change. This volume should be understood as a search for the new conceptions that we need.

Shared conceptions normally derive from the way that persons experience themselves and their relationships with others. Highly organized forms of reality are, however, not accessible to direct human experience. Their conceptions are always the result of generalizations and assumptions. But different conceptions may account to varying degrees for the complexities involved. Conceptualizing a complex set of relationships requires one to work through the way that elements relate to one another in a synthetic structure. This step implies working out a complex *chain* of thought about the *configurations* of relationships that are the subject of conceptualizations. The chains of thought used to think through configurations of relationships involved in some conceptualization have theoretical significance in the way that elements and relationships work together for understanding and solving some problems. Theoretical conjectures based upon different conceptions may provide alternative approaches to understanding and resolving similar problems.

When we address ourselves to the problems of guidance, control and performance evaluation in the public sector, we have to anticipate that something referred to as "the public sector" may be conceptualized in quite different ways in different societies and in different traditions of thought within one society. The international and interdisciplinary composition of our research group increased the likelihood of confrontations about different experiences and conceptions and may, as a consequence, have contributed to a more thorough understanding of some of the basic features in addressing issues of the organized complexity of public life in modern societies.

If we conceive human beings as well as social systems not only as self-referent, but also as reflective systems, i.e. (at least potentially) endowed with the capability to conceive and hence to modify their own identity, a major function of social science for society becomes apparent: its contribution to self-understanding and hence to a higher degree of self-control in social systems (cf. Luhmann 1981: 198–228). This work, however, is more 'interpretative' than 'empirical' with the result that conjectures are less easily *refutable* than in the physical sciences.

Popper's approach to conjectures and refutations may not provide an appropriate method for proceeding with inquiry within such a subject. If acted upon, the conceptions and associated structure of elements and relationships may give rise to different realities in human societies. Our opportunity to make advances was primarily in making conjectures that clarify the similarities and differences which

derive from different approaches to problems pertaining to the organization and performance of institutions in the public sector.

Such conjectures might be viewed as *contestable* rather than refutable. Arguments formulated as contestable conjectures are essential to an understanding of what can be learned from others' experiences. The contestability of conjectures should lead to a clarification of differences which are yielded when different conceptions are used as the basis for organizing different social realities.

If human societies want to learn from each other's experience, the treatment of different approaches to problems as contestable issues becomes especially important. By treating different approaches to problems as contestable issues, we can seek to clarify those similarities and differences that would permit human beings to make *informed choices* about the different opportunities that may be available to them in addressing problems pertaining to guidance, control and performance evaluation in the public sector. The more we understand the options that are available, the more choices we have in shaping our futures. The commitment of the group is to contribute to the development of such capabilities. The message of the book therefore consists not only in a trivial assertion of complexity, but in suggesting a new method of dealing with and of understanding the structured complexities in which we live.

Moreover, the reader will easily ascertain different families of thought within this volume; and he will also find contested issues being advanced by different participants. Although there was some endeavour on the part of the editors and most participants to incorporate the chapters into a general line of argument, there are still thrusts in several chapters that stand on their own. If I have emphasized the group's work in this introductory chapter this should not cast a shadow on the work of each author which deserves to be considered for its own merit.

Appendix: Proposal for the Research Group (Summer 1980)

"Different from the sector of private economy, where guidance and control of outcomes are connected systematically by market mechanisms and profits or losses, the public sector is lacking such comparably elegant feed-back-mechanisms. This, however, must not lead to the conclusion that problems of guidance would here be insolvable and that outcomes in the public sector would necessarily not be evaluable. Guidance, control and evaluation do also exist in the public sector. Normally, however, they will not occur simultaneously in different policy areas and they demand a cooperation of different mechanisms and forms of communication that have not yet been sufficiently scientifically clarified.

Apart from the early theoretical approach of R. A. Dahl and Ch. Lindblom (Politics, Economics and Welfare, 1953), an interdisciplinary approach is still lacking, although a number of recent developments within the single social sciences can be used as grounds upon which the issue should be taken up again. Such theories and developments and their disciplinary backgrounds, listed in short, are:

Economics: theory of public choice; economic theories of democracy and bureaucracy; comparative economic systems; theory of property rights.

Sociology and Political Sciences: development of the policy sciences with respect to different policy fields; integrating processes, research on implementation, evaluation and impact research; social indicators and “social reporting”; system theories and intersystem-theories; research on transfers between the scientific and the political system.

Law and Public Administration: problems of organization in public administration; problems and techniques of determining effectiveness and efficiency; development of a theory of management in public administration.

Often the problems appear similar in different disciplinary contexts, though the methods by which they are approached and dealt with will differ considerably. Correspondingly different aspects will be treated as particularly relevant. This constellation offers a positive basis for interdisciplinary communication.

Also within the political and administrative system the problems approached here have increasingly been given attention, whereby, however, a general orientation towards concrete problems and specific phenomena is predominant. In the Federal Republic the public sector remains largely determined by a legal (or legalistic) self-conception that only allows for dealing with the problem of control and evaluation in normative but not in functional terms. Functional aspects are merely treated as an intra-administrational problem. From that perspective guidance then happens through administrative regulations; evaluation will be a matter of “efficient” use of monetary resources. However, there are specific branch control systems within administrations. Their results function, for example, as criteria upon which financial means are allocated or individual promotion is decided.

Hitherto we do not know clearly why prevailing scientific studies attempting clarification and analytical reconstruction of inter-related policy processes within administrations have hardly been noticed or applied. Also widely unknown is how efficient the methods of control and evaluation developed and applied by practitioners are. Progress in a research field as difficult and complex as the one of present concern demands the cooperation of both scientific and practical experts. The flexible organizational facilities provided by the “Center for Interdisciplinary Research” (ZiF) appear particularly suitable to promote such progress.

The permanent group of researchers is expected to consist of 10–15 scientists who have already contributed to the problem range sketched above. The participation of colleagues with substantial research experience in specific policy areas as well as an interest in problems of theory construction in the fields of guidance, control and evaluation will be particularly appreciated. They are supposed to reside in ZiF for a period of 5–11 months. Apart from their working on individual projects they should be willing to participate actively in weekly meetings where the more general problems will be worked out collectively. Those meetings will also incorporate scientists from Bielefeld University.

Furthermore, additional workshops can be held on special topics including the possibility of inviting scientific and practical experts not belonging to the permanent research group. All publication rights concerning the works contributed in the course of the research project will principally remain with the individual authors, though we hope to have common publications of members of the research group.

The program of the group is to be determined, in detail, by the participants

themselves. The following questions are only meant to indicate a few more comprehensive issues felt to be particularly relevant by the initiator of the group:

- To what extent can different disciplinary approaches to the analysis of the problem of political and administrative control and guidance be integrated?
- Can an interdisciplinary treatment of the problems of guidance lead to a higher degree of plausibility in the analysis of practical problems?
- To what extent can cybernetic models of steering and regulation be applied to political and social phenomena?
- How can theories of the political process be improved towards a development of guidance theory with respect to feed-back-mechanisms on different processual levels?
- To what extent and under what conditions can certain modes of outcome evaluation be implemented as feed-back-mechanisms?
- To what extent can a general approach in guidance theory be developed through a theory of inter-system-relationships?
- How can different techniques of control be compared with respect to their problem-solving capacity?
- How can different policy areas be compared in the aspects of guidance, control and performance evaluation?
- Which relationships exist between the legal and organizational characteristics of specific (national) political systems and their specific modes of control and performance evaluation?
- Is it possible to derive limitations regarding expansion in the public sector from guidability restrictions?
- To what extent can deficiencies in guidance and control be compensated for by possible functional equivalents?"

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Notes

- 1 The efforts were obviously linked with political trends aiming at a more active role of government in the modernization of society. Johnson's 'war on poverty' and Brandt's 'politics for inner reform' engendered intellectual climate that challenged social science to become a part of political intelligence. Nevertheless, at the same time they fostered critical attitudes from the left and the right towards political commitments by scientists who easily became inclined to confound their hopes with their results. Some time in the seventies the intellectual climate began to change so that when the group met, the era of 'Reagonomics' and 'Thatcherism' had already begun. Even if these political efforts pretend to roll back political interventionism they remain bound to the subject of present concern. The political war-cries of 'market' versus 'state' stem from intellectual traditions that have become outmoded due to the trend of factual developments in the economy as well as in the polity.
- 2 For an overview of Policy Analysis in Germany see Wollmann 1982.

- 3 This is not only true for French mercantilism and the German "Staatswissenschaften", but also for Adam Smith (cf. Winch 1978; Kaufmann and Krüsselberg 1984).
- 4 Later it became evident that it is very difficult to win practitioners for a longer standing cooperation within such a research group, but this was not the reason for abandoning the plan.
- 5 Obviously this very un-English sentence was formulated first in German: "Wie können institutionelle Arrangements geschaffen werden, unter denen natürliche Personen als Repräsentanten von Organisationen und als Akteure in Organisationen sich in ihren Entscheidungen und Handlungen so verhalten, daß resultierende Leistungen der Organisationen denjenigen politisch/gesellschaftlichen Zielen dienen, welche deren Existenz legitimieren?"
- 6 These workshops included the following topics: "Auditing and Control in the Public Sector" (January 7–8, 1982), "Market, State and Solidarity in Adam Smith" (February 23–26, 1982), "Verantwortlichkeit und Erfolgskontrolle im Zeichen fiskalischer Knappheit" (June 22–23, 1982, mainly with German practitioners from administration and politics), "Analyzing Interactions Among Multiple Actors in the Public Sector" (July 1–6, 1982). For a more detailed report about the way the group worked see: "Zentrum für interdisziplinäre Forschung der Universität Bielefeld" 1981: 33–37, 89–92; 1982: 21–31, 39–40, 49–50, 69–72, 74–76; 1983: 54–59; see also Kaufmann 1983.
- 7 In the Federal Republic of Germany about 1500 laws and 2900 decrees issued by the federal government are in force. On the level of the Länder there are additional laws and above all more decrees and administrative order, e.g., in Baden-Württemberg more than 80,000. This bulk of legal norms is now supplemented by decrees issued by the authorities of the European Community. For an account of the German discussion see Kaufmann 1985.
- 8 This sketch of the political situation refers to one country and the lines of discussion obviously vary between countries. The problems just mentioned may be of less concern, e.g., in the American public system where the plurality of legal regulations is openly acknowledged and assumed to be settled by equity jurisprudence. There seems to be everywhere, however, a growing concern about the effectiveness of state's intervention.
- 9 The classic formulation of this position stems from W. I. Thomas: "If men define situations as real, they are real in their consequences." This position has now been proved by evidence of cerebrum research as well as by cognitive psychology. For the development of a sociology of knowledge that takes this state of affairs into account see P. Berger and T. Luckmann 1966. For a more elaborate application to problems of societal steering see Maturana and Varela 1980, and Willke 1983.

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