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Ethical Dilemmas in a California City: Lessons in Leadership, Transparency, and Accountability

Abstract: Ethical conduct is essential in order to promote and build organizations of integrity. This case study examines ethical transgressions that occurred in Bell, California, which significantly jeopardized the principles of democratic governance. Ethical leadership, transparency, and accountability are effective tools which can be used to reduce the potential for future unethical conduct.

Keywords: accountability; corruption; democratic governance; government; leadership; transparency.

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1 Introduction

Government organizations and their leaders are expected to act within the best interests of their constituents and promote beneficial public policy. Government organizations usually provide essential services initiated through the efforts of dedicated public servants. Ideally, these public servants collectively conspire toward achieving their unique goals and strategic objectives while avoiding conflicts of interests and self-promotion. Each member of government in a democratic society has the obligation for ensuring ethical conduct through effective leadership, thus strengthening the overall integrity of government. Though this is the way government should function, at times internal corruption is present which threatens the very dynamic of democratic governance.

A case study can be used to focus on the role of democratic governance and the importance of ethical leadership within the context of city government. When high-level members of city government fail to exercise the principles of ethical leadership and/or ensure government transparency and accountability, there is a disruption in the balance of democratic governance. The failure to exercise principles of democratic governance in the city of Bell, California, resulted in corruption that threatened the integrity of an entire city. Ensuring ethical principles

are properly maintained becomes even more important when a society is experiencing rapid economic growth and internal social change. When these pressures are present, it is even more important for government servants to demonstrate ethical leadership, ensure proper government transparency and accountability, and thereby create a more just and harmonious society. By analyzing Bell's ethical dilemmas within the context of leadership, transparency, and accountability, productive recommendations can be developed in order to avoid similar unethical conduct within other cities.

2 Background

In the US, a city government is generally comprised of several integral positions: a mayor, city council members, a city manager, and a chief of police. Ideally, they work collectively for the beneficial interests of the city and its residents. Officers and employees are charged with holding and preserving the public trust and faithfully executing their fiduciary duties to the city and its residents. Fiduciary duties further demand an undivided loyalty and allegiance to the city they are obligated to serve, as well as to faithfully execute the public trust confided in them.

In July of 2010, information was uncovered by *Los Angeles Times* reporters, who were originally investigating the neighboring city of Maywood, California, that certain officers and employees of Bell, California, were intentionally enriching themselves at the expense of the city and its citizens (Gottlieb and Vives 2010a). Bell is a suburb of the city of Los Angeles, California, with a population of approximately 35,000 residents (Gottlieb and Vives 2010a). Bell is ranked thirteenth on the list of the 25 smallest cities in land area in the US, covering only approximately 2.5 square miles (Rosenberg 2006). The mayor, members of the city council, the city manager, the police chief, and others at the highest levels of government were implicated in a corruption scandal that shook the very foundations of the city. The alleged corruption included individuals that earned incredibly high salaries which had been approved through clandestine means (Gottlieb and Vives 2010a). Knowing their salaries were inappropriately high, elaborate steps had been taken to conceal the benefits and salaries paid to each of these individuals. In order for this to have occurred, high-level members of city government must have been complacent in their duties or actively engaged in the corruption.

Compared to cities of equivalent sizes and relative location, the salaries and benefits paid were unconscionable, grossly exceeding what was reasonable and commensurate with its respective offices and duties. The practices' of these high-ranking members of city government constituted a blatant disregard of the public trust confided in them when they were elected to serve in their particular

positions. Their actions in benefiting themselves through clandestine means and then attempting to conceal this information raises questions of ethical leadership as well as an apparent lack of proper government transparency and accountability.

Public records secured through the California Public Records Act showed that Bell's city manager earned in excess of \$787,000 a year, and with benefits, in excess of \$1.5 million during the previous year (Williams 2010). The assistant manager earned over \$376,000 a year and the police chief was paid more than \$457,000 per year. Each of the council members, save one, was making in excess of \$100,000 for their limited part-time work (Gottlieb and Vives 2010a). Interestingly, council members of other similarly situated cities in the Southern California area make approximately \$4800 on average per year (Gottlieb and Vives 2010b).

Both the city manager and assistant manager, knowing their compensation was excessive and wasteful, used a variety of employment contracts to conceal their compensation from the public (Complaint 2010). Meanwhile, the city council also took action to deceive the public through active concealment of the facts surrounding their compensation (pp. 7–11). These individuals' compensation was paid out of public funds thus resulting in the city and its citizens ultimately paying the bill created by the defendants' self-enriching activities. The city of Bell is also responsible for a much larger bill in the future when it must pay for the individuals' wrongfully-gained retirement benefits under the California Public Employees' Retirement System (CalPERS) and the city's own supplemental retirement plan (pp. 4, 6).

One of the most outlandish examples of a lack of leadership by the city council occurred in regards to the city manager's salary. Since 1993, the council had raised the manager's salary 16 times, including automatic raises, by an average of 14% every year. In 2005 alone, members raised the manager's salary by more than 47%. In 2008, even as government services were reduced for budgetary reasons to residents and the city laid off employees, the manager received a set of five new employment contracts which provided for automatic 12% annual increases to his base salary (Complaint 2010: p. 2). Even though the council raised the manager's salary over 10-fold from 1993 through 2010, his responsibilities remained largely the same (p. 4). Council members also provided the manager excessive and wasteful benefits (p. 4). For example, the manager's 2008 contracts with the city provided that the manager accrue service credit with CalPERS at double the normal accrual rate, effectively providing for double retirement benefits (p. 4).

Council members also provided the manager with 856 h (107 days) of vacation and 288 h (36 days) of sick leave per year (Complaint 2010: p. 4). The 143 days of annual vacation and sick leave awarded to the manager was excessive and wasteful, especially in light of the fact that there are only approximately 250 working days a year (p. 4). The council permitted the manager to convert his vacation and

sick leave into pay at a rate \$304 per hour. In 2009, the manager cashed out over 1100 h of vacation and sick leave for over \$360,000, bringing his total salary from the city of Bell to over \$1,100,000 (p. 4).

Pursuant to the city's charter, the city was to pay the manager a salary "commensurate with the responsibility of chief administrative officer of the city" (Complaint 2010: p. 5). The council failed to act in an ethical manner when it simply approved the salary and benefit increases without exercising due diligence. The compensation that the members provided far exceeded his responsibilities as city manager. Council members approved the managers employment contracts without giving each contract requisite deliberation, consideration, or due care. Members did not review the manager's contracts before approving them (p. 5). In complete dereliction of their duties owed, members relied on the manager's oral representations as to the terms on his own employment contracts and did not even seek to discover the terms of the contracts. The council merely approved whatever the manager directed them to approve and sign (p. 5).

Other officials also directly benefited from this ongoing corruption. Others receiving the unconscionable salaries included the assistant city manager and Bell's police chief. The assistant city manager had a base salary of \$336,000 in 2010, which was more than 40% higher than those of city managers of cities in the Los Angeles region with populations similar in size to the city of Bell (Gottlieb and Vives 2010a,b). The council provided the assistant manager with 856 h (107 days) of vacation and 288 h (36 days) of sick leave per year (Complaint 2010: pp. 5–6). The council members failed to appropriately discover the terms of the assistant manager's contracts and merely approved whatever the city manager directed them to approve (p. 6).

Bell's police chief had a salary of \$457,000 which was not commensurate with his duties and responsibilities, and substantially exceeded those of police chiefs of cities of comparable population in the region (Williams 2010). The city manager hired the police chief even though evidence supports that the chief was unable to fully perform his duties because of a preexisting injury (Complaint 2010: p. 7). The chief was awarded excessive and wasteful benefits, which included lifetime health-care insurance benefits, effective immediately upon the date of his contract and with no vesting period (p. 7). Additionally, the manager supported the chief's claim for medical disability retirement in conjunction with his regular service retirement when the police chief retired from the city (p. 7). The manager agreed to the police chief's 2009 employment agreement without giving the contract the requisite deliberation, consideration, or due care as to the appropriate compensation.

Council members also awarded themselves excessive and wasteful compensation. In 2010, they received over \$96,000 in base salary, while \$4800 per year was the average paid to similarly sized city council members in Los Angeles

County (Gottlieb and Vives 2010b). They awarded themselves overtime pay, making their salaries even larger. For example, a member was paid over \$110,000 in 2009, of which over \$16,000 was for purported overtime work (Complaint 2010: p. 8). Members made each of the salary and benefit increases without the requisite deliberation, consideration, or due care as to the appropriate compensation that was commensurate with their duties and responsibilities (p. 8).

Members also defrauded the public by approving a deceptive ordinance in February 2005. Rather than limiting the compensation of council members, as the title of the ordinance stated, the text of the ordinance actually increased the members' salaries. This did not include their salaries for sitting on the various boards of various city authorities, agencies, and commissions (Complaint 2010: p. 9). In fact, this increase was approved as part of a consent agenda during the council meeting so that there was no public discussion or deliberation of the ordinance.

In September of 2010, the California Attorney's General's Office filed a civil lawsuit against eight of the former and current Bell employees demanding the return of the "excessive salaries," as well as a corresponding reduction of the pension benefits resulting from those higher salaries (Hansen 2010). The legal causes of action included: a) waste of public funds/illegal expenditure of public funds; b) negligence in authorizing wasteful expenditure of public funds; c) fraud, when city officers and employees from entering into contracts in their official capacities in which they have a personal financial interest; and d) breach of fiduciary duty and violation of public trust (Complaint 2010: pp. 13–19). The California Attorney's General's Office alleged the mayor, the city manager, assistant manager, the police chief, as well as the council members conspired to breach their fiduciary duties and actively encouraged and participated in the other defendants' violation of public trust and breach of their fiduciary duties (Hansen 2010). As a result of the alleged corruption, the city and its citizens suffered damages which resulted in a wasteful expenditure of funds.

Subsequently, on 21 September, 2010, the District Attorney for Los Angeles County filed criminal charges in Los Angeles Superior Court against Bell's mayor, city manager, assistant manager, and members of the city council (Audi 2010). Each was arrested and criminally accused of the misappropriation of public funds (TAI 2013).¹

¹ On 20 March, 2013, after 18 days of deliberation, a Los Angeles County jury convicted five of the six ex-Bell City Council members. They were each found guilty of five felony counts of misappropriation of public funds in violation of California *Penal Code* § 424(a) (Rogers 2013). On 3 October, 2013, ex-Bell city manager pleaded "no contest" to 69 felony charges of misappropriation of public funds, hiding and falsifying records, perjury and other crimes (Gottlieb et al. 2013). On 9 December, 2013, Bell's former assistant manager was found guilty of 11 felony charges, including conspiracy, misappropriating public funds, falsification of government records and conflict of interest (Deutsch 2013).

3 Literature Review

A significant amount of literature exists on corruption in government. Past studies have considered those factors in government that promote or facilitate corruption, ways in which to mitigate it, as well as the underlying empirical evidence that supports these corruption theories (Asch et al. 2011). Studies that address corruption occurring within American cities involving multiple branches of government are rare. The nature of the corruption involving the city of Bell and its many components of government was unusual. Generally, checks and balances exist within government which effectively prevents a widespread culture of corruption from developing in American cities.

The officials in the city of Bell engaged in a form of collaborative corruption where the respective branches of government were complicit with the ongoing corruption. A brief overview of the current literature is helpful in understanding government corruption as well as identifying ways in which to avoid corrupt practices by government officials in the future. Understanding the collaborative corruption that occurred in the city of Bell is useful when developing methods and practices to effectively combat this type of corruption from occurring again elsewhere.

Corruption in the city of Bell was rampant among its leaders and a lack of transparency and accountability fostered a climate where corruption could fester. Rampant corruption among government officials and limited accountability usually exists when institutions are weak and is often characterized by government officials who make and implement policy not in the public's interest (Aidt 2003). Under such circumstances, government officials cannot be expected to create, implement, and enforce policies designed to avoid corruption. As such, it is important to develop strategies to create strong institutions which are resistant to corruption.

Literature on corruption in government addresses the importance of strong institutions and their role in combating corruption. Strong institutions which encourage transparency and accountability are helpful in reducing the opportunity for collaborative corruption from occurring within government. Asch et al. (2011) discussed institutions and the rules that regulate their political, administrative, legal, and economic activity. Ostrom (1986) defined institutions as rules or prescriptions that are commonly known and used by people to establish repetitive and interdependent relationships within an organization, where prescriptions refers to those actions that are required, prohibited, or permitted within society.

In order to create corruption-resistant institutions, three primary, supportive conditions are necessary. Asch et al. (2011) identified these beneficial conditions as government with a broad base of political power, relatively few opportunities

for government officials to extract rents from society's resources, and constraints on the use and abuse of power. While strong institutions are beneficial in reducing corruption, weak institutions can lead to macro-level corruption which further limits the effectiveness of human resource policies focused on effectively regulating government officials (Asch et al. 2011). Weak institutions limit the effectiveness of local policies intended to reduce corruption of individual government officials, because government officials and policymakers cannot be trusted to implement and enforce these productive policies.

Understanding the relationship between institutional strength and corruption is also important. Past studies have provided insight into the factors that promote or facilitate corruption, reform measures that can mitigate it, and the supporting empirical evidence that underlies these theories (Asch et al. 2011). Although relatively few studies provided direct evidence on the effectiveness of corruption-mitigating reforms, the more expansive literature on the topic points to the key drivers and thus provide critical insights for productive reform leading to reduced corruption in government.

At the micro-level, the literature provided insights on the benefits of aligning public employee incentives with the public interest. The literature pointed to other mechanisms designed to integrate incentives for performance and to hold employees accountable. Several of these included auditing mechanism, equitable systems of promotion, and adequate pay levels for government officials as well as varying pay with seniority which appropriately recognizes increasing skills with additional incentives during the course of a government official's career. The research showed that each of these respective approaches to combating corruption has both advantages and disadvantages (Asch et al. 2011).

Using various anti-corruption methods simultaneously when combating the susceptibility for government corruption is generally more effective than simply utilizing one method to prevent the development of a culture of corruption. Ichniowski et al. (1997) found that multiple anti-corruption incentive schemes had a more significant effect on workers' ethical productivity than single schemes used alone. The implication is that a comprehensive set of multiple policies, rather than a single anti-corruption policy, is more likely to be an effective tool in reducing government corruption.

Micro-level decision making of individual government employees is also important in reducing corruption. Even if corruption is relatively rare at the macro institutional level, at the micro-level individual government officials may have little incentive to avoid corruption. Aidt (2003) described this situation as one in which a high-level government official acts in the public's interest but a lower level government official engages in corrupt practices. When this occurs, the overall effectiveness in reducing government corruption is restrained.

Although corruption and malfeasance are different phenomena, many of the insights from personnel economics literature is also broadly applicable to the question of what types of policies best help combat collaborative corruption. Acemoglu et al. (2005) concluded that political institutions determine the relevant economic institutions because political institutions determine who holds power in society. Those in power are the ones who define the economic rules of the game and how it is played. Since those who hold power cannot credibly commit in advance to how they will exercise their power once they have it, the tendency is for government officials to select institutions that are most beneficial to themselves, rather than society as a whole (Acemoglu et al. 2005). When this situation occurs, the resulting political power monopoly is inefficient and its corrupt institutions do not provide broad, secure property rights to those without power. Without those rights and protections in place, weaker institutions cannot effectively combat corruption. Consequently, institutions that lead to stagnated growth and more rampant corruption can benefit some groups (Acemoglu et al. 2005). Similarly, institutions that promote growth might not necessarily benefit all factions in society. In other words, the groups holding political power effect which institutions prevail in society.

Acemoglu et al. (2005) described three essential conditions for those leaders who hold power to encourage corruption resistant institutions. First, effective constraints on the use of political power, such as the separation of powers between different power holders, are necessary for stronger economic institutions. This is likely to result in more secure property rights, instill equal justice before the law, and protect markets in which those who invest and contribute to economic activity earn appropriate returns on those investments. Second, placing political power in the hands of large and diverse groups in society, including those with access to investment opportunities, are more likely to result in higher quality institutions. If the political power base is constricted, it is less likely to include those who require property right protection for major investments. Third, only when there are limited opportunities for those in power or with privileged positions to extract economic rents or to take advantage of corruption opportunities can better economic institutions arise.

A variety of studies have investigated empirically the relationship between institutions and corruption. The empirical literature provided only indirect evidence on how weak institutions effect government corruption. Woodruff (2006) provided an overview of empirical approaches to measuring institutions and their relationship with corruption. He found that informal institutions, as opposed to formal institutions, have the most significant impact on the fight against corruption. However, informal institutions, which include how laws are actually enforced in practice, are more difficult to measure, and measurements

often rely on subjective assessments by experts or economic participants (Woodruff 2006).

Discretionary power was identified by Aidt (2003) as one of the necessary conditions for corruption to arise and persist within a governmental organization. He argued that, when non-benevolent leaders are in charge of implementing and designing institutions, corruption arises because power holders implement inefficient policies that emphasize extracting benefits for themselves rather than producing material benefits for the public.

Ades and Di Tella (1999) considered the effect that institutionally related variables, such as political rights or antitrust law, can have on corruption. They found that, although political freedoms are largely uncorrelated with corruption levels, countries with more effective antitrust laws tended to have less corruption.

More recent research considered how the structure of government itself affects the potential for corruption. Gerring and Thacker (2004) estimated the relationship between territorial sovereignty and the composition of the executive office on corruption and found that unitary and parliamentary political institutions are generally associated with lower levels of corruption. A key institutional factor affecting government corruption is political competition, which can serve as a check on the exercise of political power (Gerring and Thacker 2004).

In early theoretical work, Shleifer and Vishny (1993) demonstrated that increased government competition can, under certain conditions, reduce corruption. However, when additional levels of government are created as a result of decentralization and competition, the increased regulation can develop increased opportunities for government officials to extract bribes, thereby increasing government corruption. In a study which explored the relationship between government decentralization and corruption, Bardhan and Mookherjee (2006) found mixed results, while other studies suggested that decentralization was associated with reduced corruption (Fisman and Gatti 2002). Other research suggested only a slight or no relationship, while in some cases a positive correlation existed between decentralization in the form of multiple levels of government, and increased corruption (Treisman 2002).

Relatively recent micro-level work did little to clarify the relationship between government decentralization and corruption. Egel (2009) found that tribal diversity had the opposite effect on corruption across regions as it did within regions and that recent decentralization reforms had no effect on patronage. Another institutional feature that has received empirical attention is political oversight, which includes mechanisms to reduce rent-seeking behavior. Meanwhile, Olken (2007) used micro-level data from a field experiment to assess the effect of government auditing systems on corruption involving road construction projects. Olken measured corruption by determining the discrepancy between the actual

and reported road construction expenditures. He found that greater government accountability, in the form of audits, reduced corruption by four percentage points. This method compared favorably to having external organizations participate in the oversight process, an alternative method which had an insignificant effect on preventing corruption.

Several empirical studies have considered how institutional reform can be effectively utilized to reduce government corruption. Palmier (1985) identified three institutionally controlled factors that contributed to corruption: opportunities to act corruptly, public sector salaries, and the probability of detection and punishment. Additionally, Quah (2001) identified critical steps which implemented to reduce corruption, including adopting comprehensive, as opposed to incremental, anticorruption laws, implementing an autonomous anticorruption agency that is not housed within the police, and staffing anticorruption units with honest personnel who report to an incorruptible political leader. Although amending laws and creating anticorruption commissions are some measures most governments could take, ensuring political leaders' dedication to fighting corruption might not always be feasible.

Empirical literature provided evidence on the role of nongovernmental institutions, especially the press, and the "checks" they provide on government activities and corruption. Brunetti and Weder (2003) revealed a strong negative relationship between the freedom of press and corruption, although the press' freedom is linked to other forms of institutional quality that can undermine its effectiveness (Djankov et al. 2003). The limited micro-economic work on institutions and corruption supported the assertion that the press can serve as an effective tool to reduce corruption within government.

Reinikka and Svensson (2004, 2005) established that a newspaper campaign to track public funds for schools reduced theft by local officials and politicians, and improved educational outcomes. Using the proximity to a newspaper outlet as an instrument for exposure to the campaign, they determined that the campaign contributed to a 60 percentage point reduction in resource theft between 1995 and 2001. Additionally, McMillan and Zoido (2004) examined bribery and found that the news media, particularly television, were the most forceful source of checks and balances reinforcing democracy, measured in terms of the level of bribes required to gain cooperation. The largest bribes were paid to the television media, followed by bribes to politicians and judges. Lederman et al. (2005) also found similarly beneficial outcomes correlating with the levels of freedom provided the press in society.

Though a significant amount of literature on corruption in government exists, very little relates to situations involving collaborative corruption. A variety of studies have considered those factors in government that promote or facilitate

corruption, ways in which to mitigate it, as well as the underlying empirical evidence that supports these corruption theories. These methods are not always helpful when combating corruption involving multiple branches of government. Since the extent of the corruption involving the city of Bell and its governmental mechanism was unusual, developing new creative anti-corruption methods for checks and balances are necessary in order to avoid the development of a culture of corruption and a subsequent breakdown in democratic governance. The ethical dilemmas in city of Bell provide a unique case study in which collaborative corruption can be studied. From this analysis, better ways in which to combat corrupt practices by government officials can be identified and thereby used to avoid the establishment of corrupt government cultures, thereby securing the principles of democratic governance.

4 Leadership, Transparency, and Accountability

After analyzing the facts and circumstances surrounding Bell's scandal, lessons emerge which could prevent similar conduct from occurring in other cities. These lessons concentrate on three primary components including leadership, transparency and accountability. These particular components were identified during the development of the case study through review of relevant publicly available documents as well as media accounts of the events. Each of these three components necessary for ethical democratic governance was lacking in the city of Bell.

4.1 Leadership

Ethics is central to leadership, and ethical leaders help to establish and reinforce organizational values. According to Northouse (2004), "leadership is a process whereby the leader influences others to reach a common goal" (p. 308). The values promoted by the leader can have a significant influence on the values exhibited within the organization (Trevino 1986; Carlson and Perrew 1995; Schminke et al. 1997). Because of their inherent influence, leaders play a major role in establishing the organization's values (Northouse 2004). A lack of ethical leadership could have a negative impact on the organization (Northouse 2004).

Here, the leaders of the city of Bell worked collectively to benefit themselves at the expense of the city and its citizens. More specifically, each failed to exercise the requisite level of care expected of a government servant in their positions. Knowing their conduct was inappropriate, these leaders deliberately concealed

their self-dealing and inherent conflict of interests. Such behaviors were contrary to the basic foundation of leadership and the belief that government servants should strive for the benefit of their constituents.

Ethical leadership encourages respect and service to others while instilling justice through the manifestation of honesty, thereby resulting in a stronger sense of community (Beauchamp and Childress 1994). All of these values were corrupted by the officers and employees involved in this scandal. Since leaders usually have more power and control than followers, leaders have the greater responsibility to be sensitive to how their leadership affects the lives of their constituents. Whether in group work, organizational pursuits, or community projects, leaders engage subordinates and use them in their efforts to reach common goals (Northouse 2004). In Bell, the manager took advantage of his leadership position to garner favorable treatment for himself and his friends.

According to Bass and Steidlmeier (1999), an ethical leader takes into account the purposes for those in the group and is responsive to the interests of the community and its culture. The city manager and others used their knowledge of the purpose of those in the group in order to benefit themselves and those they considered to be supportive of their interests. The mayor, assistant city manager, the police chief, and even the members of the city council did nothing to stop this behavior. Each of these individuals encouraged this behavior of which they readily participated for their own selfish interests.

In Bell, ethical leadership was clearly lacking by key government servants who were expected to uphold the highest standards of ethical conduct. Greenleaf (1970, 1977) asserted that leadership was bestowed on a person who was by nature a servant and who emerges as a leader within an organization by first becoming a servant. A servant leader focuses on the needs of followers and helps them to become more knowledgeable, freer, more autonomous, and more like servants themselves (Greenleaf 1970, 1977). Here, Bell's city leaders were not servant leaders focused on satisfying the needs of their followers, but instead predominantly focused on satisfying their own selfish interest hoping to gain as much as they could at the cost of the city and its citizens.

Council members also failed to demonstrate ethical leadership when they collectively defrauded the public by intentionally concealing the amount of their true compensation paid by the city. The council members as well as all other officers and employees of a city were charged with holding and preserving a public trust. They owed a fiduciary duty to the city and its citizens, and as such, were expected to act in the best interest and for the benefit of the people they served. Undivided loyalty and allegiance to the city are essential for all officers and employees as they faithfully execute the public trust confided in them.

Each of the government servants involved in this scandal violated the basic public trust and breached their fiduciary duties to the city and its citizens when they awarded themselves and each other excessive and wasteful compensation that was not commensurate with their respective duties and responsibilities. Each of these government servants also violated the public trust and breached their fiduciary duties when they accepted the excessive and wasteful compensation that had been awarded to them. Not one of these individuals did anything to stop or question this inappropriate practice. No one demonstrated ethical leadership by putting an end to this unacceptable conduct or blowing the whistle on their clandestine activities. In addition to the importance of ethical leadership in establishing and maintaining an effective form of democratic governance, government transparency is also important and must be present to ensure the public trust.

4.2 Transparency

Government transparency is essential if a government is going to be responsive to the needs of its citizens. Transparency connotes trust and public confidence in operations (Armstrong 2010). One way that transparency in government/citizen relationships is gauged is through the availability of public records (Armstrong 2010). There are many methods through which records can be made available, thus promoting transparency. In Bell, the records which established the corruption were intentionally concealed. In a society where disclosure is essential for governance, actively concealing city government actions and information is unacceptable.

According to Piotrowski (2007), transparency generally occurs through one of four primary channels: a) proactive dissemination by the government; b) release of requested materials by the government; c) public meetings; and d) leaks from whistleblowers. The proper disclosure of information is even more important in developing countries where the temptation exists for selfish interest which can lead to corruption (Meagher 2007).

A 2006 study of 14 countries found that with dedicated transparency laws, there was three times more likelihood that requests for information were responded to as opposed to countries without transparency laws where less than half of the requests for information were actually responded to (Lord 2006). Countries that embrace transparency tend to produce more information than other governments and are more likely to share their information.

Both developing and modern countries have realized the importance of transparency. More than 30 countries have established a national-level centralized

anti-corruption agency (Meagher 2007). Transparency ultimately serves to keep government honest. According to Kierkegaard (2009), “Good government must be seen to be done” (p. 26).

Today, one way to encourage government transparency is through the effective use of the internet. Government at all levels can readily disclose their actions via the internet so that the public can more readily monitor what their government is doing. The internet has changed communications capabilities between local governments and their constituents by allowing easier access to information (Musso et al. 2000; West 2004; Tolbert and Mossberger 2006).

Transparency can also be used as a tool to combat corruption. According to Shim and Eom (2009), there are traditionally three types of anti-corruption approaches: a) administrative reform; b) law enforcement; and c) social change. Citizens’ ability to monitor government through information plays a critical role (Bertot et al. 2010). With greater transparency, the corruption scandal in Bell could have been prevented or discovered and resolved more quickly.

The right to access information is regarded as an essential element of democratic governance, thereby increasing citizens’ participation and increasing the trust in government as well as reducing the opportunity for corruption (Quin 2003; Mulgan 2007; Cullier and Piotrowski 2009; Reylea 2009; Shuler et al. 2010). If it was not for some small level of government transparency existing in the city of Bell, the information regarding these excessive, self-indulgent salaries would never have been exposed. The *Los Angeles Times* reporters who discovered this corruption did a great service by ensuring that government transparency was maintained. Along with transparency, accountability also plays a significant role in ensuring ethical democratic governance.

4.3 Accountability

Government accountability is a further method through which democratic governance can be enhanced: accountability is the extent to which one is required to answer to higher authority for one’s actions in society (Shafritz et al. 2007). When considering the concept of accountability in relationship to government institutions, there are several forms of accountability that can be implemented. Accountability can occur through several means. For instance, each elected official is subject to the political sovereignty of those who elected the individual into office (p. 198). If the sovereignty concludes the elected individual has acted in an unethical manner, they can remove him or her from office with a recall election.

Administrative accountability is an aspect of administrative responsibility by which officials can be held answerable for general concepts of democracy and morality premised upon specific legal mandates (Shafritz et al. 2007). The challenge is to find a balance between completely trusting officials to use their best judgment in the public interest and monitoring them so closely through legislative committee or other means that they cannot get anything accomplished (p. 198). In a democratic society, there is an expectation that leaders operate within a system of accountability: therefore they are responsible to checks and balances, and subject to the scrutiny of the media, community watchdogs, and whistleblowers (p. 199).

The residents of Bell should have been more vigilant regarding the actions of their city government. They could have accomplished this by actively participating in the council meetings and demanding to review the contracts entered into on behalf of the city and its employees. If this occurred, it would have been far more difficult for these officials to conceal their violations of the public trust, especially over time. As such, it is important for citizens to be engaged with the functioning of their government.

Accountability can also come in the form of civil liability and/or criminal culpability (Hall 2009). A government organization can be held fiscally liable when it fails to comply with applicable legal mandates or potential civil lawsuits which demand particular corrective action be taken (pp. 300–302). Bell city officials will likely be found financially liable for their unethical behaviors in violating the public trust. Each could also be found criminally culpable by misappropriating public funds in violation of applicable California state law. The prosecutors will establish that the public officials were criminally negligent or knew they were breaking the law. The criminal case against the city manager and assistant city manager is currently progressing through the Los Angeles Superior Court. The cost of unethical conduct should be significant enough to encourage others not to engage in similar reprehensible activity. By ensuring adequate accountability as part of democratic governance, the potential for corruption should decrease.

Ethical leadership, government transparency, and accountability are important concepts for ensuring ethical democratic governance. When any of these three components are lacking, the potential for corruption increases and government becomes less advantageous for society.

5 Recommendations

After considering the Bell corruption scandal, there are a variety of lessons that have been learned. Recommendations can be developed that would be helpful in

discouraging these types of behaviors from occurring again elsewhere. Rapidly developing cities, and those undergoing significant social change, can utilize these recommendations to avoid similar ethical transgressions. They are presented here and provide opportunities for ethical leadership and encourage the active participation of government officials and employees as well as engagement of community citizens. Collaboration involving all of the relevant stakeholders is important to maximize the benefit of these recommendations.

Ethical leadership is critical for the success of democratic governance. Leaders at all levels play an important role in reducing the potential for corruption. These leaders must lead by example and ensure proper ethical leadership at all stages of democratic governance. Leadership within a government organization must foster an environment which is conducive for raising ethical issues. When this occurs, a culture of ethics can be created so that when ethical issues arise, there is a process to resolve these issues in a timely and effective manner. With an effective ethics resolution process in place, there is a greater likelihood that government leadership will discuss their ethical challenges more openly with other members in the organization. This will result in the reduction of incidents of unethical behavior and emphasize that unethical conduct will not be tolerated.

Leaders must work to develop an organization in which ethical values can be effectively shared with one another. This requires more than the just the creation of a code of conduct. All leaders must be directly charged with correctly handling ethical issues that might arise. These issues should be regularly shared with an ethics committee for discussion and deliberation. Ideally, all the members on this committee should be volunteers without any financial interests or other potential conflicts of interest that might cloud the exercise of their independent judgment.

Compliance with standards should be positively recognized and raising ethical concerns promptly should be strongly encouraged. Ethical entrepreneurship must run beyond the mere establishment of ethical policy within the governmental organization. Thoughts and ideas about how to improve the organization's climate must be regularly solicited from everyone within the organization. In this manner, everyone becomes a steward of ethical conduct.

As dilemmas present themselves, it is important to listen to employees to understand the relevant issues and to work toward achieving appropriate solutions. Throughout the process, recognition and encouragement should be given to those who report concerns so that leadership can be helpful in resolving the issues timely. This effective response from leadership will likely encourage others to behave in an ethical manner and report those who do not live up to acceptable standards.

Within the government organization, an ethical officer should be designated. This is someone that individuals can speak to about matters of an ethical nature.

Governments can create toll-free hotline telephone numbers where people can report confidentially perceived ethical abuses by local government. Finally, regular feedback needs to be solicited on how the government organization is performing in regards to effectively resolving ethical issues. This feedback can assist in improving the process and help in achieving the goal of an ethical environment within the organization.

Employees play a significant role in the process. Oftentimes, they are the first to become aware of unethical conduct. As such, whistle-blowing by employees and others must be encouraged. According to Bowman (1983):

Whistle-blowing is a popular short-hand label for any disclosure of a legal violation, mismanagement, a gross waste of funds, an abuse of authority, or a danger to public health or safety, whether the disclosure is made with or outside the chain of command (p. 91).

An employee within the organization who believes public interest overrides the interest of his or her organization should be encouraged to expose corrupt, illegal, fraudulent, or harmful activities. These individuals should not be vilified, but instead given positive recognition for their ethical actions and contributions.

Citizens also play an essential role in helping to reduce corruption. Community members must be vigilant and ensure their local governments are doing what they need to do without developing conflicts of interests. As such, monitoring transparency and ensuring accountability is essential. Citizens must ensure that their government servants avoid conflict of interests and do what is in the city's best interest. They can do this by demanding documents and other information from their government. A non-paid independent citizen review panel can analyze city employment contracts for reasonableness and consistency. The panel must ensure that no one particular individual has excessive control to influence others within the organization. In the city of Bell, the manager was given a significant amount of power and political influence without an adequate check on the exercise of his authority. All employment contracts involving key positions should be available to review and subject to challenge by the public prior to their acceptance by the council.

Citizens should also be encouraged to participate in the budgeting process. When large salaries are paid, an audit trail develops, and steps and procedures used to approve the budgeting process are observable. Citizens must be included in the budgeting process by ensuring that at least several members of the budget committee are community volunteers who are not subject to conflicts of interest. These individuals can then ensure that there are no actual conflicts of interests when it comes to awarding the city's monies through employment contracts and other financial interests. If citizens had been part of the city of Bell's budgeting

process, they would have become aware of the unconscionable salaries, benefits, and employment contracts.

According to Lukensmeyer and Torres (2006), citizens' participation in government should focus on six primary aims:

- a. inform and educate the public on important policy issues;
- b. improve government decisions by supplying better information upward from citizens to decision makers;
- c. create opportunities for citizens to shape, and in some cases, determine public policy;
- d. legitimize government decisions by ensuring that the voices of those impacted by government policy have been heard, considered and addressed;
- e. involve citizens in monitoring the outcomes of policy for evaluation; and
- f. improve the quality of public life by restoring trust and engagement of citizens in public life (pp. 27–28).

Citizen engagement is part of a variety of democratic reform ideas that include public participation and public involvement, participatory democracy, deliberative democracy, and collaborative governance (Lukensmeyer and Torres 2006). Promoting more ethical practices in a government organization necessitates the need to analyze the basic ideas, beliefs, and attitudes that guide the behavior of an organization's members (Lukensmeyer and Torres 2006). Conducting ethics audits within the government organization would also provide a methodological review of the organization's activities and the implicit values that underlie the organization's ethical values.

Structural changes can also be made to the government organization which could assist in reducing the opportunity for corruption. One suggestion would be to impose term limits, where appropriate, for those high-level government positions, and further limit the length of time that a person can serve in an executive management position. By imposing these limitations, the potential for long-term corruption decreases and the potential for ethical democratic governance increases. Limited exceptions to these policies could be accomplished through public debate and approval through a local referendum process.

If policies and procedures similar to those described above had been present in Bell, the scandal that merits this case study may never have happened. Everyone involved with governance must ensure that ethics plays a critical role, thereby maintaining a fair, equitable, democratic process. Ethical leadership, government transparency, and accountability are all important components of ethical democratic governance.

6 Conclusion

Ethical conduct while performing government service is essential in order to promote and build organizations of integrity. This case study examined the ethical transgressions that occurred in Bell, California, which significantly jeopardized the principles of democratic governance. A review of these ethical transgressions supports the importance of ethical leadership, as well as appropriate governmental transparency and accountability. By analyzing the nature of the ethical transgressions, relevant and practical recommendations were developed which could be effective at reducing unethical conduct in the future. Leadership is important in all organizations and must be encouraged through the collaborative efforts of all stakeholders in order to avoid government corruption. All officials and employees must have undivided loyalty to the organization and faithfully execute the public trust. Ethical leadership with adequate government transparency and accountability is essential for maintaining a culture of ethics within an organization.

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