

## **THE PERPETUAL CRISIS IN PUBLIC MANAGEMENT**

The parks in New York City are in the best condition they have been in for a generation. This is so, despite cuts in operating expenses and staffing over the past quarter century. The city's imaginative commissioners, from Robert Moses to Thomas Hoving and from Betsy Gotbaum and Henry Stern to Adrian Benepe, have all managed to do more with less and improve the parks.

Parks are more important in New York City than in many other American cities because although most of the land in New York City lies under single-family homes, most of the people in New York City live in apartments. For the children of apartment dwellers, the parks are backyards; they are where children go to run and play and toss a ball and be outdoors with their friends. Despite the improvements in the parks and the high level of the parks' conditions (84 percent rated acceptable in 2007 according to the NYC Mayor's Management Report), the city's parks and recreation department has been criticized for its management practices and suffers from a negative image in the media. In recent years, the department has been criticized for using welfare workers to clean parks, for charging nonprofit organizations that use the parks for programs sponsored by the nonprofits, for poor park upkeep, and for recruiting and promoting recent college graduates over civil service employees.

Reasonable people can criticize the Department of Parks & Recreation's management practices, but what is striking is the

degree to which the public image of the department is dominated by these negative stories. There is little question that success is not as interesting a news story as failure or a scandal, but government's image suffers most from the public's lack of perspective. Government's accomplishments are rarely discussed, but its controversies and failures are front-page stories. The proliferation of mass media in the late twentieth and early twenty-first centuries has added to government's negative image. Government is widely perceived as incompetent.

At many points in U.S. history, the American public has rallied against government incompetence and failings. Those periods wax and wane, and in fact, after overcoming the Great Depression and winning World War II, the public expressed great confidence in the capacity of government to solve major public challenges. The current crisis of confidence in government in the United States began in the second half of the twentieth century—evidenced by opinion polls that trace a continuing decline in the public's trust in government starting in the 1960s (Hetherington, 1998). Although opinions of government efficiency and waste rebounded a bit around 2002, following the 9-11 crisis, they continued to drop again to historic lows in the years following (Pew Research Center, 2007). What this steady decline in confidence represents is widespread disdain for government, which has developed into a collective American consensus. The common view is that government creates rather than solves public problems, and that government programs and policies detract from rather than add to the quality of life.

Although mistrust of government is an accepted part of America's political culture, government is still expected to provide services and enhance our quality of life. At times, the American attitude toward government reminds us of the superficial edge of toughness that characterizes residents of our home city of New York: beneath the tough exterior of the average New Yorker beats the heart of a caring person who is always willing

to lend a hand. Americans say they hate government, but they venerate American political institutions and, particularly at the local level, consider them a necessary and positive force in their communities.

In certain times of crisis, such as the attacks on New York's World Trade Center and the Pentagon, we find renewed reliance, if not confidence, in government. When such renewed confidence is squandered by bungled responses to crises like Hurricane Katrina, we demand even more from government—more responsiveness, more preparedness, more coordination, more oversight, more compassion and support for the disaffected. You might call it a love-hate relationship. We love what it can do and hate when we need to rely on it. We Americans would prefer that government shrink and play a less significant role in our society, but in a complex world filled with threats and danger, we find ourselves looking to the government for security and safety.

### **The Current Crisis Defined**

Still, there is a popular and, to some degree, substantive consensus that government is not capable of producing the public policies we might like to see implemented. In this view, the signs of failure—crime, drug abuse, homelessness, declining urban public schools, and corruption in high elected office—are everywhere. In contrast, we see the dramatic success stories of the private sector:

- Federal Express with its almost flawless computer-assisted delivery service
- iPods that include every song we could ever think of
- Amazon.com and its ever-expanding selection of everything
- Consumer items ranging from lightweight laptop computers with DVD drives to six-hundred-channel cable television with endless pay-per-view and home shopping options

- Increased emphasis on customer service from nearly every consumer business, with twenty-four-hour access and overnight home delivery of everything from mattresses to home entertainment systems

Consider the difference between standing in a long line at a local motor vehicle bureau, post office, or IRS office and driving up to the quick-service window of a drive-through fast-food restaurant, local bank branch, or Federal Express outlet. In the past decade, government has been moving to modernize its ability to provide rapid, high-quality customer service, but for the most part, it lags behind the private sector.

Government is seen as wasteful and corrupt, business as lean and efficient—perceptions that are often justified, at least on anecdotal evidence. For example, the Reconnaissance Office of the CIA builds a \$347 million headquarters office without telling Congress. Other examples are the famous \$600 hammer and daily news stories about government waste and fraud, each contributing to an overall image of government incompetence. It is difficult to argue with this perception, despite its inaccuracy.

A great number of government success stories could be cited if one wished to do so. Successful government programs have been established for rural electricity, food stamps, interstate highways, education, crime reduction, and many other endeavors. Even if such successes are recognized, critics argue that government programs are a drain on the economy, while ignoring the economic benefits of government programs such as the Internet (e-commerce), the space program (telecommunications satellites), the highway system (more efficient delivery of goods), and water and sewage systems (biological necessities). Yet without some of the most costly of government programs, such as the social security system, generations of young, upwardly mobile professionals might have to spend more time

looking after their parents and less time creating wealth. Despite these logical counterarguments to government critics, the image remains quite negative.

While the public sector has difficulty implementing programs, private management is certainly no panacea. Simply look at the savings and loan scandal of the 1980s, Enron's meltdown, and the subprime mortgage crisis of 2007, and we see that the private sector also fails miserably on many occasions. Failed public programs, however, seem to be more closely scrutinized by the media than the private sector is; a failed private enterprise is just another of the more than thirty thousand businesses that fail in the United States every year. Public sector failures are more difficult to hide, particularly if the failure involves a topic that is in the public eye, such as health care (even though the sector is dominated by private firms and self-employed doctors).

Despite many high-visibility ethics scandals among private companies that occasionally reach headline news, the public still retains a largely positive image of the wonders of the free market (Pew Research Center, 2007). This image was crystallized by the collapse of communist states throughout Europe in the 1990s and the surge of privatization in its wake. Most acknowledge that privatizing communist economies has had a painful human cost, but the goal of developing a Western-style consumer economy is seen to be worth the price. The image of the American culture of consumption, built on Western-style free-market enterprise, is perceived as a model that works, in contrast with the failure of state-run enterprises.

The result of this has been the discrediting of the usefulness, and even the feasibility, of efforts to coordinate, regulate, and plan the private economy. In cities, the planning that we have maintained is now hidden in the site-specific designs of public-private partnerships. Efforts to regulate business practices continue, but they are done in an environment that favors deregulation. The majority of the American public report

feeling that government does more harm than good in regulating corporations (Pew Research Center, 2007).

Finally, we have seen a decline in the ethos of public service. In the 1990s, President Clinton worked hard to reignite the fervor for public service that he experienced as a youth during John F. Kennedy's presidency. He then impaired government's credibility when he had an illicit relationship with an intern and abused his pardon power on his way out of office. Or one of New York City's former police commissioners, Bernard Kerik, who was heralded as the architect of the downturn in crime under the Guiliani administration, later was indicted on charges of corruption when a mob-connected firm spent \$200,000 renovating his home.

Despite the general disdain for government, there are countless examples of community spirit. Certainly, nonprofit community groups are well regarded by the average person. However, government has lost its image as an institution where people can do good and serve their fellow citizens, and government workers have suffered a significant decline in status over the past twenty years. It is increasingly difficult to convince public-minded students that they can effect change and improve people's lives by working in government. Even government's forceful response to the attacks on the World Trade Center and the Pentagon has not fundamentally changed popular perceptions of government.

The sum of these trends has been to cause a long-standing crisis in the confidence of public management. The term "crisis" typically refers to a widespread social dilemma that is incredibly difficult to halt or manage. While some crises are short term, such as a natural disaster, others are persistent—like an infection that is resistant to antibiotics. The crisis of confidence in public management has fallen into this latter category. We are not arguing that the crisis in public management is necessarily a bad thing. Within the crisis there are tremendous opportunities to redefine and improve public management—opportunities

that we will explore in this book. However, to a considerable extent, the crisis is based on perceptions of government performance that are erroneous or are, at least, only partially accurate.

Nor do we argue that government operations are always as effective and efficient as they could be. However, all organizations—government, private for-profit, and private nonprofit—are flawed. Each experiences dysfunction and failure. Government is the most regulated and visible of these three forms of organization, but this does not mean that it is the least capable of the three. Our view is that each form is best suited to particular functions and activities. Our hope is that out of the crisis of public management we will eventually come to recognize the strengths and weaknesses of each form of organization. However, for the present, public management must deal with a profound crisis of confidence, a perception that government can't get the job done.

### **Government's Response to the Crisis of Confidence**

Initial reactions to the modern public management crisis came from those who first defined and articulated it: those in the conservative political movement. The tax-limiting initiatives in California and the Reagan "revolution" in Washington, D.C., were concrete reactions to the crisis of public management. The argument went something like this: if government can't deliver the goods, let's reduce the public sector and increase the private economy by reducing government's revenues. Furthermore, if government is the problem and not the solution, then we should certainly reduce the size of government—especially its domestic and social welfare programs.

Paradoxically, tax cuts at the federal level, increased defense spending, and cut-resistant government entitlement programs had the effect of increasing the size of the federal deficit. As the federal share of state and local budgets was reduced in the 1980s,

state and local taxes were increased in many places to make up for the revenue shortfall.

After a decade of attack, the second wave of reaction to the crisis in public management was an effort to reinvigorate the civil service. Two high-profile national commissions were established to set an agenda for reforming public personnel practices. The first, at the federal level, was a commission chaired by Paul Volcker, the former head of the Federal Reserve. The second commission focused on state and local public service and was chaired by former Mississippi governor William F. Winter.

It soon became apparent that the effort to revitalize the civil service was addressing only one element of a series of problems with government management. Thomas Peters and Robert Waterman's best-selling private management book, *In Search of Excellence* (1982), describes a quiet revolution in management technique that was taking place in a number of successful firms in the late 1970s and 1980s. Reduced hierarchies, a focus on quality, customers, and teamwork, and creative entrepreneurship were lauded in this landmark book. Public management scholars, journalists, and practitioners began to discuss the need to apply these ideas to public management. David Osborne and Ted Gaebler's *Reinventing Government* (1992) synthesized and popularized the ideas; the core reinvention concept was to rethink how government delivered, managed, and paid for public programs. Reinvention was an effort to "save" the public sector and the idea of promoting collective welfare by admitting that government sometimes did a poor job, and it proposed a series of creative methods government could use to improve its performance.

Osborne's emphasis on entrepreneurship was criticized by public administration scholars for its avoidance of issues of constitutional law and representational democracy. Three questions are typical:

1. What gives this unelected bureaucrat the right to take risks with the public's money?



2. What is the role of elected officials in authorizing these creative programs?
3. How can these programs be held accountable and be overseen by elected officials?

Despite the reservations of public administration scholars, public administration practitioners jumped on the reinvention bandwagon with great enthusiasm. Bill Clinton and Al Gore campaigned on the platform of reinvention in 1992. Mayors in the 1990s, such as Stephen Goldsmith from Indianapolis, Ed Rendell from Philadelphia, and Rudolph Giuliani from New York, became proponents of reinvention. The most important reinvention initiative took place at the federal level when President Bill Clinton gave Vice President Al Gore the assignment of applying reinvention concepts to the federal government. The administration asked David Osborne to help lead the effort, which became known as the National Performance Review.

### **The National Performance Review**

While clearly based on Osborne's reinvention philosophy, the National Performance Review was also rooted in the experiences of the Brownlow, Hoover, and Grace Commissions, the new public administration movement of the late 1970s, and even the privatization efforts of the 1980s. The National Performance Review was unique in its recruitment of borrowed federal bureaucrats to staff the task force, its use of consultants only on a pro bono basis, and its tight reporting deadline, just six months from the project's inception.

The review was initially conceived to focus on improved performance, but the commission leaders quickly succumbed to the political magic of cost cutting and led the final report with a commitment to cut \$108 billion over five years and reduce the federal workforce by more than 252,000 positions. Whether

such cuts made sense, the importance of the report of the National Performance Review was in the reinvention philosophy that it expressed in four basic principles: (1) cut red tape, (2) put customers first, (3) empower employees to get results, and (4) get back to basics. Equally important, the report did not leave the issues at a philosophical level; there were also action recommendations.

To cut red tape, the report suggested creating a biannual budget, replacing full-time equivalent (FTE) personnel ceilings with cost ceilings, and permitting a 50 percent rollover of internal savings. It recommended the decentralization of personnel policies, including the phase-out of the federal personnel manual, department-based recruitment and examinations, a dramatically simplified classification system, and a much shorter and simpler termination process. Procurement procedures should be guiding principles rather than rules, with agencies permitted to test the marketplace. The report also called on agencies to cut internal regulations by 50 percent over three years.

To help put customers first, the vice president recommended ending government monopolies—such as the Government Printing Office—wherever possible and making agencies compete for business. To empower employees, the report recommended expansion of managers' span of control, more training and information technology support, family-friendly workplace options, the elimination of time sheets and time cards, and quality training for all federal employees. The report also recommended consolidation of the federal field office structure, expanded user fee financing, and electronic delivery of benefits.

The results of the National Performance Review were mixed. Although the government claimed a savings of \$137 billion in federal funds could be attributed to the review, as a *New York Times* editorial pointed out, the claim was essentially not provable: it was impossible to separate out the improvements brought about by the review from those related to the economic improvement of the nation as a whole. For example,

although the federal workforce was reduced by about three hundred thousand during the mid-1990s, the largest reduction occurred mostly within the armed services sector, because of the end of the cold war (Broder and Henneberger, 2000). Undoubtedly, the Reinventing Government movement was responsible for some of this reduction, but the more important point is how this reform effort has shaped the current thinking in government that the movement represented.

Of course, this reinvention movement is neither the beginning nor the end of government reform efforts. As Paul Light's book *The Tides of Reform* points out: "Human beings have been reforming government ever since they invented government" (1997, p. 2). The key point for public managers today is to be aware of the culture, standards, and institutions that have evolved from the mid-1990s reform effort and what that means for the context under which public managers operate.

### **The Challenges of the Performance-Based Movement**

The reinvention movement that started in the 1990s arguably made a lasting impact on how public agencies do business. Across all levels of government we have witnessed the widespread adoption of tools and policies like "performance measurement," "performance-based budgeting," and "managing for results" (Forsyth, 2001). President George W. Bush continued this management reform tradition in 2002 with his "performance improvement initiative," presented through the White House's Web sites "results.gov" and "expectmore.gov." Bush's performance management initiative adopted a Performance Assessment Rating Tool (PART) for all federal agencies and programs, as monthly scorecards that summarize how well each federal agency executes the administration's performance initiative.

Numerous state and local governments established similar performance management programs—programs that focus on

assessing how well public agencies are achieving their goals and making that information publicly available through the Internet and periodic reports. The City of New York implemented the Citiwide Accountability Program known as “CapStat” in 2001 to track performance information. It was modeled after the city’s Compstat program that the police department implemented in the mid-1990s to improve crime tracking and operational responses.

In 2002, Baltimore Mayor Martin O’Malley created a similar system called “Citistat,” modeled on Compstat. When O’Malley became the Governor of Maryland he adapted Baltimore’s performance reporting tool to track the management efforts in the Chesapeake Bay, known as “BayStat.” Programs to support and facilitate these types of efforts also emerged through independent organizations such as the Governmental Accounting Standards Board and the National Center for Public Productivity. Not surprisingly, the performance management movement led to a boom in academic studies that have looked at how performance management programs develop and what makes them effective (Ingraham and Kneeder, 2000; Roberts, 2002; Moynihan and Ingraham, 2003; Moynihan, 2005; Swiss, 2005; Heikkila and Isett, 2007).

The performance management movement by no means eliminated the lapses in ethics that plague too many public servants, nor can the trend ensure that agencies will actually perform well. A complementary reform effort has focused on the increasing use of government oversight mechanisms. Recent oversight reforms have come in direct response to the recognition of contracting and procurement failures related to the Hurricane Katrina response, Iraq war, Homeland Security, and related management failures.

Between 2005 and 2007, an estimated five hundred new federal positions were added in the federal General Accounting Office and Inspector General Office (Burman and Kelman, 2007). Many of these positions are devoted to performance measurement

and management. A number of states and local governments have followed suit. The State of New Jersey, widely known for its political corruption scandals (“Pay-to-play”), started its Office of the Inspector General in 2005. The New Orleans City Council voted unanimously in 2006 to authorize creation of the city’s first Office of the Inspector General.

What these initiatives to make government more accountable imply is that the crisis in public management has not passed. Not only does public skepticism over government performance appear omnipresent, but the reinvention movement in many ways has still been overshadowed by, or even equated with, the antitax and antispense philosophy that became entrenched in the American political psyche in the 1980s. In the 2000 presidential election Al Gore sidestepped the reinvention ideas of the NPR, and like George W. Bush, pitched himself as the candidate for smaller government. Through two more election cycles, despite the rising costs of a war in Iraq, most politicians in both political parties still embraced this philosophy. For example, Democratic Senator Barack Obama of Illinois was quoted in the 2008 presidential campaign as saying that Ronald Reagan’s “sense of dynamism . . . changed the trajectory of America” more than any other administration (Bosman, 2008).

The focus on tax cuts and downsizing adds an additional challenge that can make it even more difficult for government to respond to the crisis of confidence and persistent public problems. As two government contract analysts have noted:

. . . there are not enough contracting and program management people to develop sound strategies for major procurements and then manage these contracts after award so they produce results and stay within reasonable cost. The procurement workforce was downsized by about a quarter during the 1990s. . . . During the last six years, requirements have increased and spending has grown by over 80 percent while the government contracting

workforce has remained basically the same size” (Burman and Kelman, 2007, p. A.9).

It appears that public managers, elected officials, and citizens need to be continually reminded that the underlying tenets of the 1990s reform efforts included recommendations for institutional and structural reforms—not simply “starving the beast,” as tax-cut proponents are fond of saying (Bartlett, 2007). Underlying the reform efforts was the recognition that inefficiencies are really driven by the rules of government budgeting, personnel, planning, construction, and contracting that are not designed to ensure rapid and efficient operations. Whether a health care facility was funded by a private firm or by government, the project would use similar private design and construction firms to actually build the facility. In New York State, the Wicks Law makes it difficult to hire general contractors, which means that even private firms working on New York government construction projects end up wasting time and money. In most jurisdictions, public construction takes more time than private construction because of lengthy government procurement procedures.

Improving government performance therefore requires not simply tracking performance, but also changes to the institutions and policies that can make it difficult for public managers to work efficiently or effectively. Of course, if we are to reduce the rules governing hiring, we must develop a method for ensuring that political patronage does not reemerge. If we are to reduce contracting oversight and regulation, we must develop a method for ensuring that public procurement is competitive and as free of fraud as humanly possible. The political challenges and trade-offs in revising the overarching institutional setting governing public managers has been much debated and scrutinized in the academic literature (see Knott and Miller, 1987; Wilson, 1989; Horn, 1995). For the purposes of this book, we ask the reader to consider three basic methods for ensuring effective but honest management:

1. Hold managers accountable for performance. If the parks are dirty, fire the parks commissioner.
2. Hold agency chiefs responsible for fair procurement and hiring rules. One element of performance is adherence to standards of merit hiring and competitively bid contracts. Again, if a bid is rigged or a manager is hiring his or her incompetent cousins, fire that manager.
3. Strengthen inspector generals and enforcement and empower whistle-blowers so that corrupt officials are fired and jailed. But do not mistake a manager seeking to cut corners to deliver a service for someone who is stealing from the public's treasure.

At each level of government and in each institutional setting, rules will exist that structure how easily these three conditions can be met—and thus how easily we can assure accountability. Even if policies and rules are in place that support these standards, sometimes the politics of the day will prevail. Take the Whistleblower Protection Act of 1989, which was designed to allow public servants to report fraud and abuse without fear of losing their jobs. Negative reactions to whistle-blowers by the Bush Administration, through investigations or gag orders, threatened those protections, leading Congress to propose new legislation to amend the Whistleblower Act in 2007.

The issue of accountability will always persist, but we argue that to some degree it is a nonissue. Before a bureaucrat can develop and implement a public program, that program must be authorized by elected officials. The willingness of elected officials to permit such discretion may vary. We, of course, urge them to permit creative experimentation. This is not without precedent, although there are risks involved in permitting public entrepreneurship.

One of the best examples of those risks is the story of Robert Moses, perhaps the quintessential public entrepreneur. At the

peak of his power, he had massive influence on the development of New York City's infrastructure. For nearly fifty years, he built roads, parks, stadiums, bridges, beaches, and housing. He grew so powerful that he was beyond the control of New York's mayors and governors until New York State Governor Nelson Rockefeller finally reduced his authority in the late 1960s. The lesson of Robert Moses is that unelected officials can become too powerful, and that is a danger in some places where reinvention is taking place. However, as long as elected leaders stay involved in the process and keep their grants of authority limited in scope and time, there is no reason to believe that creative government and representative government are conflicting concepts. Again, though, creativity and agility will require us to adapt our rules on budgeting, personnel, and procurement. We also need to develop and communicate a more realistic understanding of what public programs can achieve and a more accurate description of what they have achieved.

Finally, we need to do a better job of training current and future public managers. That is one of the aims of this book: to help make public managers more strategic, creative, and flexible—more fundamentally effective. We believe that the creative values in reinvention can be coupled with a sense of ethical responsibility to the public and its representative institutions. We further believe that a professional public manager pursuing an explicit personal and organizational strategy can deliver effective public programs and help address the crisis in public management.

The work of public service is an honorable profession. But it is a profession requiring skillful use of analytic techniques, management practices, creative thinking, and modern technology. Social science is learning more about how to think about policy choices. It is helping us learn more about how people can interact and be more effective in group settings. Computer and communications technology is making it easier for us to teach, learn, and exchange the information needed to be more effective decision makers and more productive workers.



Managers in government, in the private nonprofit sector, and in parts of the private for-profit sector must learn to use this new knowledge to make their organizations more effective. The effective public manager of the twenty-first century will need to be creative, innovative, and entrepreneurial, as well as a lifelong learner. Stability, complacency, and routine will increasingly be replaced by change, new problems, and new solutions. We need to get used to it.

