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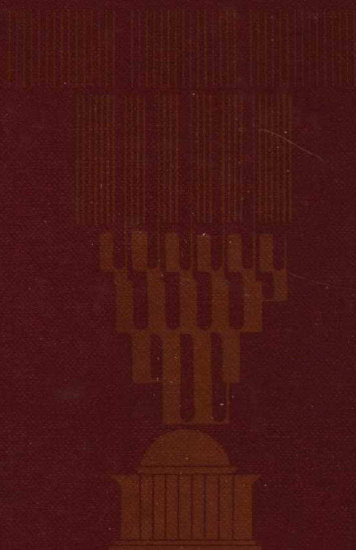

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Preface

"It was the best of times. It was the worst of times." No, I am not referring to those famous lines from Charles Dickens' *A Tale of Two Cities*. I am talking about public administration in the 1980s. The worst of times is easy: fiscal stress, managing with less, reductions in force, cutback management—these words have become virtually synonomous with the study and practice of public adminstration in the 1980s. The best of times is a little harder. But paradoxically, the very changes we have had in organizational life—many of them quite painful—provide challenges and opportunities for the public adminstrator of tomorrow. Consider just two. First, no longer can the public administrator neatly separate the private and public sectors, for they have become increasingly intertwined. Understanding the ramifications of this fact is indispensable for effective public management in the 1980s. Second, at one time it was simple to design and implement local government services. After all, how many ways *are* there to pick up the garbage? Now it is not so simple. With the growing interdependence of the public and private sectors, the complexity of our intergovernmental system, and the legal foundations of public administration surrounding the activities of the public manager, what was once simple is simple no more.

I wrote this book to capture some of the changes that have come to public administration. Retrenchment is sprinkled throughout the text, as are the linkages between the private and public sectors. The legal foundations of public administration, treated in Chapter 11, are now extremely important. In particular, I believe that students must become familiar with the growing liabilities of public administrators and with the important role judges have come to play in the administration of the public's business. But the book does not merely highlight the changes in public administration. On the contrary, much of the text is devoted to traditional topics—organizational theory, personnel, budgeting, program evaluation, to name a few. Yet even those core subjects include newer developments in the profession. For instance, collective bargaining is so pervasive that it deserves an entire chapter. Similarly, information processing and communication are tied to decision making—a sequence that seems to make sense to me. The blending of core topics with new themes is what public administration is all about.

Can public administration be presented in a way that seems "real" to students? Tone and style help a lot. I have tried the soft touch, the "lighter" approach. I hope you like it. There are other features in this book in addition to writing style. Retrenchment is a theme in three case studies: "Vacancy Review in Tight Belt County," "A Kick in the Seat of Higher Learning," and "Regional Health Planning: A Response to Declining Resources." Implementation is treated in a separate chapter, which ends with a long case, "The Siting of a Public Housing Project." Even the titles of these cases hint that state and local governments are treated more extensively in this book than in many other texts. Similarly, intergovernmental management is a major theme in Chapters 5, 6, 10, and 11.

Sometimes I have invented situations to get the point across: collective bargaining in the City of Kvetch, the budget process in Dullsville, and the personnel escapades of Sally Slick. I also believe there is nothing magical about "teaching aids." You know already that I have included some extended case studies. Chapter 6 ends with a case that can be used as a *simulation* exercise. To test the student's understanding of the fundamentals of evaluation, I have concluded Chapter 12 with an exercise called "Project CRAP." And ethics remains too removed from reality unless one *must* make decisions that have ethical components. That's how I end Chapter 13. I have tried to make the book good reading by inserting items along the way that instruct, and sometimes amuse. (Why, for example, would the FBI chase a bull semen thief across Canada?) Finally, if some of the chapters encourage the student to read more, I have provided a list of additional readings at the end of each chapter. For the student who wants to dig deeper into a topic (or is given a term assignment from his or her instructor), I have included a bibliography, arranged by chapter, at the end of the book.

Several people must be acknowledged for their assistance along the way. The people at Holt—Marie Schappert, Herman Makler, and Barbara Heinssen—have been very helpful. I have received valuable comments from Robert Gilmour, University of Connecticut; Kevin Mulcahy, Louisiana State University; Fred Springer, University of Missouri, St. Louis; Robert Sahr, Oregon State University; and Robert Whelan, University of New Orleans. My colleague Barry Bozeman helped me out in two ways: He chuckled in the right places, and he actually wrote "Project CRAP" and "A Kick in the Seat of Higher Learning"—and graciously "donated" them to the book. Daan Braveman and James Carroll, Jr., helped to clarify many of the subtle issues that comprise the topics in Chapter 11. Three former students deserve special mention for their contributions. Each prepared a case under my supervision. Jane Massey wrote "Vacancy Review in Tight Belt County," Michael Mullane prepared "Regional Health Planning: A Response to Declining Resources," and Katherine Potter did "The Siting of a Public Housing Project." Corinne Hunter did a superb job typing the manuscript and only once said that she was "sick of it." My wife, Jeannie, and my daughter, Deborah, won't have to hear about it anymore. I appreciate their support.

J.D.S.

Contents

Chapter 1

THE PUBLIC SECTOR IN FLUX

1984 has come and gone! But *1984* is the title of a famous novel by the British writer George Orwell,[1] in which he described a future society, a negative utopia, where a person's individual liberty is completely subordinated to the totalitarian controls of the state. The reach of government is everywhere; it even controls the way one thinks. The society of 1984 was not a nice place.

Was Orwell right? You would, of course, say no. No government, not even those that control a good deal of the actions of their citizens, even approaches the all-encompassing Big Brother in *1984*. But Orwell was naturally taking artistic license. His fictional totalitarian society was an exaggeration, yet the specter of complete domination of the individual by a faceless ruling group is enough to conjure up the evils of excessive government power.

1984 was wrong. It was wrong as a prophecy of the future because the power of government never reached the frightful awesomeness depicted in Orwell's novel—for which we should be glad. But it was wrong, also, as a metaphor for a future dominated by government control. True, Orwell, through his negative utopia, alerted us to the dangers of totalitarianism. Published in 1949, four years after the defeat of Hitler's Germany, Tojo's Japan, Mussolini's Italy, and in the wake of Communist domination in Eastern Europe by a Soviet Union under Stalin, *1984* seemed on target. But if it missed the mark, it did so because it described a type of all-encompassing government that really never materialized. Government in 1984 *is* all around us—but in ways that are so much more complicated and, at the same time, more subtle than described in Orwell's book. In the real 1984, government is insidious; sometimes we do not even realize it is there. Government surrounds us (some would say, engulfs us), yet we often would not recognize its presence—unless it was taken away—because government has become second nature to us all. What did the real 1984 look like?[2] Let us consider a few simple cases of governmental "presence" that we barely take notice of in our day-to-day lives.

"FACELESS" GOVERNMENT

Case 1: Japanese automobiles

Everywhere you look you see Japanese automobiles—Hondas, Nissans, Toyotas, and Subarus. The American car-buying public seems to like them. (Some are now even made in the United States.) They are well made and efficient. But Detroit doesn't like them. Japanese imports have created nothing but headaches for domestic auto makers. Now there is a simple solution to the problem; it is called competition. Detroit has responded by trying to compete with the Japanese automobile companies in the U.S. market. But it hasn't been easy.

The U.S. companies searched for help. In 1980 and 1981 they turned to the federal government, figuring that the probusiness Reagan administration would certainly understand their plight. They wanted Washington to restrict Japanese imports (through tariffs or quotas). Some members of the Reagan administration, however, were "free traders," opposed to trade barriers between countries. Besides, some of the policy makers felt that Detroit would be better off in the long run if the companies "toughed it out" with Japan in the competitive marketplace.

Politics soon intruded. The stiff competition adversely affected the profits of the U.S. companies, unemployment was high among auto workers, and some states (like Michigan and Ohio) that depended on the auto industry were facing growing financial difficulties. The Reagan administration decided to adopt a "middle course" by getting the Japanese "voluntarily" to restrict their imports. Meanwhile, if you were in the market for a Japanese car at that time, you wondered why dealers were not always able to sell you what you wanted even though demand for Japanese automobiles was so strong. Government was the "invisible hand" influencing the market.

Case 2: Whatever happened to private colleges?

It is hard to find a truly "private" college. To be *truly* private a college would require the complete absence of government involvement, which is very rare. Consider the three basic ingredients of government involvement in so-called "private" colleges.

Student loans States and the federal government have provided loans (usually below the prevailing interest rate) for students eligible for the loan programs (based on family income) so that these students can finance their college education. These loans have indirectly provided colleges with revenue and they have bolstered enrollment—both extremely important to "private" colleges, which depend on tuition for a large part of their revenues.

Federal government grants Colleges and universities receive funds from the federal government in the form of grants, many of which are for faculty research or curriculum development. The money is used partially to support salaries and other expenses. Colleges and universities have come to depend on these funds, and they even plan that some percentage of their total costs will be so financed.

Regulation Once so-called private colleges and universities accept funds from the federal government, they agree to implement a multitude of regulations concerning what they can, must, or must not do. Here are just a few:

> Colleges and universities must make their facilities accessible to the handicapped.
>
> They must "affirmatively act" to hire minorities and women to their faculties.
>
> They must not engage in research involving human subjects unless they follow government guidelines and restrictions concerning such research.

The point is simple. Private colleges are not very far removed from the reaches of government, and once they accept funds from the federal government (most do), they are no longer completely autonomous. Think about your own college or university. Can you identify direct, and indirect, government presence?

Case 3: Guaranteed loans for Chrysler

Let's go back to automobiles. As America entered the 1980s, our "love affair" with the automobile began to sour. Cheap gasoline, for one thing, was part of the past, never to return again. The American car buyer's "taste" in automobiles quickly changed. Big gas guzzlers became less and less popular as they became more and more expensive to drive. As pointed out in case 1, Japanese imports (and other foreign cars as well) were ready, willing, and able to enter the U.S. auto market. The big three—General Motors, Ford, and Chrysler—were in trouble. Chrysler seemed about ready to go under.

The federal government did not take over the Chrysler Corporation and run the Dodge and Plymouth factories. The government did not provide technical assistance, nor did it give the beleaguered automobile company any money. What it did was more subtle. To prevent a total collapse, Chrysler needed money, and it needed it fast if it were to stay in business. Naturally investors were reluctant to lend money to a large company that was in serious danger of going bankrupt. The financial stakes were high; the risk was great.

Investors wanted the risk reduced. The federal government, after delicate negotiations with the company and prospective creditors, agreed to *guarantee* the company's loans. That is, the federal government would pay off the loans if the company defaulted. Financial risk was therefore reduced and creditors came forward with the necessary funds.

Why did the government get involved in something that seemed to be outside its "normal" sphere? After all, shouldn't the problems of the company have been left to the marketplace? It is not that simple. The automobile industry is important to the U.S. economy. A failure of the magnitude of Chrysler Corporation would ripple throughout the economy. The government does not want anything like that to happen. Also, the government wants U.S. auto companies to compete effectively with foreign companies so that the nation's trade balance is not constantly jeopardized. Other reasons can be cited for the government's intervention, but the message is clear. The U.S. government is an active partner in the so-called "private" sector of the nation's economy.

Big government can also be subtle government. After all, many people who bought a Chrysler car after the loan guarantee took effect probably didn't realize that the government's intervention allowed them to buy the car of their choice. Now this is big government, but it is a far cry from the engulfing government of Orwell's nightmarish *1984*.

Case 4: A government-supported Big Mac

What is a good symbol of the American economic ideology of "free enterprise"? Think of a Big Mac—the famous hamburger you can purchase at any McDonald's franchise. Suppose you wanted to get into the Big Mac business. Like most franchise arrangements you would have to buy a franchise from the McDonald's Corporation. The corporation, as anyone who has eaten in a McDonald's knows, retains a great deal of control over the franchises—price, quality of food, type of food served, method of preparation, customer relations, and so on. The corporation gives individual franchise owners technical assistance, and, in general, the franchises have a high rate of financial success.

So far, no government—aside from scores of government regulations concerning wages and working conditions, taxes, food inspection, and many more! Can a local government purchase a franchise store? No, but local governments have indirectly encouraged the construction of franchises in their jurisdictions. This has been accomplished through the use of tax-exempt industrial development bonds as a way to reduce the cost of financing new construction. Here is generally how it works:

1. The city wants to stimulate economic development by encouraging new businesses in the downtown area.
2. The city either directly or indirectly, through a nonprofit development corporation, sells tax-exempt bonds for new business development.

3. Investors buy the bonds because their tax-exempt status is desirable.
4. The city, or development agency, lends money to new businesses willing to locate in the downtown area (the cost of these loans is usually lower than the market cost).
5. Presto, a new McDonald's appears, facilitated by the sale of tax-exempt bonds for economic development.

The next time you bite into a Big Mac, you may be encouraging the economic revitalization of an aging city.

That government is big is beyond question. Government collects a lot of money in taxes; it spends a great deal of money on almost everything you can imagine; it employs millions of people in jobs ranging from architects to zoologists. It also regulates a great deal of our personal activity—marriage, sex, food, and appearance (try walking around without clothes in a populated place). When we die, government regulates the way our earthly remains are treated. In short, government has made its way into a myriad of our social and economic lives. But the encroachment has been gradual, subtle, and (fortunately) partial. Unlike Orwell's nightmarish novel, there is no Big Brother. Nor is there a single ruler to fear. But there *is* big government. How did it come to be this way?

THE LAISSEZ FAIRE THAT NEVER WAS

Government in the United States was once small. In 1800 the federal government employed about 3,000 people; by 1980 this number grew to approximately 2.8 million. The budget of the federal government in 1789 was less than $1 million; in 1984 the budget was more than $800 billion.

But small government did not mean passive government. A superficial image of government is that up to the turn of the century, indeed up to the New Deal period (1933 to 1945), government's role in the social and economic affairs of the nation was limited. This view is a distortion. The federal government has *always* had an important role in the economy.[3] Indeed, the Constitution of the United States included three key responsibilities for the new national government in 1787. First, it granted the right to coin and print money. Under the Articles of Confederation each colony established its own legal tender, which naturally made it cumbersome to transact economic activities across the boundaries of the colonies. By establishing one common currency (and prohibiting the states from coining and printing their own money), the new national government immediately took an active role in *regulating* and *stabilizing* economic activity in the new nation.

Regulation was extended to a second major activity, the right to regulate interstate commerce. Now conflicts between states would be resolved by the federal government. And third, the Constitution gave the government the power to protect "life, liberty and property." In addition to the obvious protection against personal harm, individuals were protected from unwaranted intrusion into their personal affairs. This constitutional protection was interpreted to include a right against unlawful interference in one's "estate" or, more simply, one's property. The aspiring middle-class entrepreneurs enjoyed the constitutional protection of their economic accumulation.

Thus the government, as early as 1787, took an active role in the economic affairs of the nation. Throughout the nineteenth century this role expanded greatly. The government bought and sold land, thereby encouraging westward expansion. The government also regulated labor through the enactment of immigration policies. Between 1815 and 1914 about 35 million people came to the United States from Europe alone. The government also protected the country's young industries from fierce foreign competition by establishing tariffs on foreign-produced goods. By the latter part of the nineteenth century the government began to regulate economic activity. In 1890 the Sherman Antitrust Act was passed—an act designed to preserve competition in an age when some companies were rapidly becoming industrial giants. Meanwhile, some state legislatures passed laws regulating child labor, health, and safety in the growing industries in the country. (Many of these laws did not survive Supreme Court challenges.) The laissez faire era, an era that never really existed, was over. Government intervention in the economy had become part of the political landscape.

The New Deal (1932–1945) is often described as a radical departure in the role of government in the United States. The New Deal, with its famous "alphabet soup" federal agencies, expanded the government's intervention in the economy. But it represented a continuation of a long-term trend rather than a major shift in policy. Perhaps more novel than activism in the economic affairs of the country was the New Deal's expansion into the area of *social welfare*. Everyone is familiar with social security and knows that it originated in the New Deal. The Social Security Act of 1935 also included provisions for unemployment compensation for workers who lost their jobs. Half a century later this foray into social welfare seems modest. The government's commitment has grown to over $350 billion a year. The federal government provides income or "in-kind transfers" (such as food stamps or medical care benefits from Medicare or Medicaid) to millions of people.

We have grown up with this government intervention in our economic and social lives—the well-known "welfare" state. It has become a reality in all Western democracies, second nature in some. Table 1–1 compares the welfare states of the United States and selected Western European countries. Notice that the size of the welfare state (as measured by social security and welfare expenditures) in the United States is smaller than in the European countries. Yet even if we do not have the same "cradle to grave" welfare programs as, say, Sweden, many Americans have been concerned with their costs. For the last several years citizens have found out what Milton Friedman, Nobel Prize winner in economics, has been saying all along: "There is no such thing as a

Table 1-1

NATIONAL GOVERNMENT EXPENDITURES ON SOCIAL SECURITY AND WELFARE AS A PERCENTAGE OF TOTAL EXPENDITURES, SELECTED COUNTRIES, 1974 and 1980

Country	1974	1980
United States	33.9	34.1
Canada	33.8	32.8
Austria	39.6	38.9
Belgium	41.9	41.6
Denmark	41.2	—
France	40.8 (1975)	43.9 (1979)
Germany	45.6	48.5
Sweden	44.6	47.0

Source: International Monetary Fund, *Government Finance Statistics Yearbook 1982*, p. 38.

free lunch." Someone has to pay for it. It is, of course, all of us who do, or will, pay, through taxes, for the welfare state.

A NEW MOOD

Once we thought that government could solve all our problems. Now we think that government is unable to solve anything. What caused the shift?

Little evidence of effectiveness

About twenty years ago faith in the ability to solve social and economic problems was widespread. Consider three illustrations.

Unemployment Policy makers in both the Kennedy and Johnson administrations felt that involuntary unemployment could be eliminated.[4] Government-induced economic growth (through an activist fiscal policy) would stimulate the economy, which, in turn, would create a healthy employment situation. Meanwhile, those workers faced with unemployment because of technological change, and those who were chronically unemployed, would receive job training through various government programs. Despite the best efforts of the federal, state, and local governments, our unemployment rate has been ***higher*** in the past ten years than it was in the 1960s. (Some of the explanation may lie in the changing nature of the labor force as well as in the ability to stimulate the economy effectively.) There is little evidence that government job programs have, on balance, been very effective. The idea of *full* employment, an idea that goes back over forty years, is a fading mirage.

Poverty In 1964 there was a "war on poverty."[5] Now there is barely a skirmish. The poor did not win, nor did the government. Rather, we, as a nation, are sadder but wiser about the ability to eradicate poverty. In 1970 the federal government spent $7 billion on programs designed to alleviate poverty. In 1980 $24.1 billion was spent on these same programs—aid to families with dependent children (AFDC); supplemental security income for the aged, blind, and disabled; food stamps; and veterans' pensions for non-service-connected disabilities. Still, there is no shortage of poor people in the United States. What is the problem?

Part of the problem is definitional. For example, if we argue that the concept of poverty is *relative*, that is, that some percentage of the population is poor compared to the rest, we will always have poverty in the country. Similarly, when the government establishes a poverty line, say, all those families of four with incomes below $10,000 a year, we are also bound to have a poverty population, unless government programs make up the difference for all those families falling below the $10,000 figure. Many government programs do increase the income of the poor, but not all poor people are eligible for every program. Some portion of the poverty population will remain poor.

Perhaps even more important than definitions of poverty is the changing public policy toward the problem. In 1964 government officials thought that public programs could be designed to eliminate poverty. Twenty years later this view seems quite naive. We have come to recognize that poverty is complex, involving income, health, housing, employment, opportunity, and motivation. Some government programs that improve one dimension of poverty may actually worsen another. One common dilemma faced by policy makers, for instance, is the trade-off between providing some amount of family income and discouraging work.

Consider the case of Angela Sosnowski, an agricultural worker in northern Minnesota. In 1981 she earned $400 a month. In addition, she received $300 a month as a supplement through the AFDC program. In 1981 President Reagan wanted to tighten the eligibility requirements of AFDC. Angela Sosnowski, as a representative of the National Anti-Hunger Coalition, made the following argument before a congressional subcommittee that was looking into the President's proposals: "It would not pay for me to work . . . he [President Reagan] is providing incentive for me to remain on the welfare rolls."[6]

Policy preferences of administrations change. Some of the change comes from the realization that alleviating poverty is a very, very difficult task. However, it does not follow that no progress has been made. Even casual reflection on changes that have occurred during the past twenty years will show that starvation and severe malnutrition have been eradicated, poverty-related dis-