

Policy Tools and Government Performance

Report on a Conference Co-Sponsored by the U.S. General Accounting Office,
the U.S. Office of Management and Budget, and The Johns Hopkins University

Prepared by The Johns Hopkins Center for Civil Society Studies

April 11–12, 2002
Washington, D.C.



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Foreword

The U.S. General Accounting Office (GAO) has been dedicated throughout its long history to ensuring the effective performance of government programs. Increasingly, we are coming to recognize that program effectiveness is shaped not only by the quality of public management, but also by the choice of tool that different programs use. Such tools have proliferated massively in recent decades, but our knowledge of how to design and utilize them has not kept pace.

To remedy this, the GAO was pleased to cooperate with the Office of Management and Budget (OMB) and Dr. Lester M. Salamon of the Johns Hopkins University, a leading expert on the tools of government, to convene a conference to explore the relationship between policy tools and program effectiveness. The conference assembled some of the country's major thinkers and practitioners in the public management field and triggered a fruitful discussion of how to improve government effectiveness in this era of new challenges and increasing interdependencies.

On behalf of the GAO, I want to express my appreciation to my colleague, Dr. Paul Posner, to Mitch Daniels and Jonathan Breul of the OMB, and to Dr. Lester Salamon of the Johns Hopkins University for their help in pulling this unusual event together. I also want to express my appreciation to the outstanding group of experts who shared their insights on this important topic with us.

From the outset, we conceived this conference not as an end in itself, but as the launching pad for a broader effort to improve our understanding of the new tools of public action and to put that understanding to work to improve the effectiveness of public programs. With this summary of conference proceedings I hope we have taken another useful step in this direction.

David M. Walker

Comptroller General of the United States

Preface

This report summarizes the proceedings of a conference convened by the U.S. General Accounting Office, the U.S. Office of Management and Budget, and the Johns Hopkins Institute for Policy Studies to examine the implications for governmental effectiveness of the significant proliferation that has occurred in recent years in the tools or instruments of public action in the United States.

This proliferation reflects the increased demands that have been placed on government, the long-standing American resistance to expanding the scope of government employment, and the consequent need to develop inventive ways to engage governmental authority while enlisting a variety of “third parties”—private businesses, nonprofit organizations, and other levels of government—in carrying out public purposes. Grants, contracts, government-sponsored insurance, social regulation, economic regulation, tax expenditures, vouchers, loans, and loan guarantees are just some of the “tools of government” that have been created as a result.

Despite the fact that these instruments now account for a larger share of government activity than does the more traditional instrument of direct government, they have attracted surprisingly little explicit attention either in the academic world or in the world of policy practice, and this despite the fact that many of them pose management challenges that are not well understood and that often seriously complicate the push for improved government effectiveness.

It was to remedy this neglect and bring both the strengths and the limitations of these new tools into better focus that I worked with a team of colleagues over the past two years to produce a guide to these tools of government action. And it was with this goal in mind as well that the present conference was convened.

More specifically, this conference was designed to acquaint both policy scholars and practitioners with these alternative tools, and with the “tools approach” that focuses attention on them. More than that, it sought to establish an agenda for future action that might improve the operation of public programs by sensitizing policymakers and policy administrators to the distinctive features and operating demands of the various tools that public programs embody.

Fortunately, we were able to attract the interest of the two principal agencies of the Federal Government with responsibility for improving public sector performance to co-sponsor this conference, and I want to express my appreciation to Comptroller General David Walker of the General Accounting Office and Director Mitchell Daniels of the Office of Management and Budget for agreeing to put the good offices of their respective agencies behind this effort. Thanks are also due to Paul Posner of GAO, Jonathan Breul of OMB, and Scott Fosler of the University of Maryland for their enormous help in designing the event and recruiting participants; to the W.K. Kellogg Foundation for the financial assistance that made this conference and our related work on “the tools of government” possible; to Mimi Bilzor, Regina List, Claudine DiPeppe, and Stephanie Geller of the Johns Hopkins Institute for Policy Studies, and Cynthia Cortez and Gwendolyn Dorsey of the General Accounting Office for their effective assistance in managing the conference and preparing this summary; and to the extraordinary group of speakers, commentators, and participants who took part in the event and shared

their insights about the “tools approach” and its potentials for improving the way we make public policy and implement public programs.

None of these individuals or organizations bears responsibility, however, for this summary of the conference proceedings. While we have attempted to remain true to the word and intent of those who offered comments at this event and have endeavored to give all participants an opportunity to review our summaries of their observations, final responsibility for this document is mine alone, and I accept it gladly.

People the world over are increasingly demanding improved performance from their governments. In many places, including the United States, this demand is translating into calls for “privatizing” and “contracting out” governmental functions or otherwise finding new ways for government to operate. While the resulting innovations in the forms of government action have immense advantages, they carry with them enormous challenges that need to be recognized as well.

The “tools approach” that was the focus of the conference summarized here offers a way to get a meaningful handle on this range of issues and thus an opportunity to clarify both for policy experts and for citizens at large how government actually operates today and what steps are really needed to allow it to perform better. It is my hope that the conference proceedings will introduce an even broader audience to this approach and thus contribute to the improved public sector performance it can foster.

Lester M. Salamon

Director
Center for Civil Society Studies
Johns Hopkins Institute for Policy Studies

1. Welcome and Introduction

Paul Posner, Managing Director in the Strategic Issues group at the General Accounting Office (GAO), welcomed participants on behalf of GAO. He pointed out that GAO's interest in joining with the Office of Management and Budget (OMB) and Johns Hopkins University to sponsor this conference stems from a mutual recognition of a shift in policy design, implementation, and oversight not captured by traditional concepts and practices of public administration. Today's challenging policy problems tend to spill over traditional boundaries. The outcomes that really matter increasingly are not determined by one single agency or program, but rather by a complex array of tools and actors. The tools approach, which provides the framework for this conference, allows policymakers and practitioners to better understand the evolving strategies of public action by going beyond a focus on any particular agency or program.

At its best, this emerging style of public problem-solving is innovative and synergistic; at its worst, it can threaten local capacity and national goals, and confuse accountability. The potential disconnect between bright ideas and actual performance may be greater than ever before.

On behalf of GAO, Posner invited the leading-edge academics, agency officials, and others gathered at this conference to exchange information, match theory to reality, and develop a new agenda for public policy formulation and management.

Jonathan Breul, Senior Advisor to the Deputy Director for Management, U.S. Office of Management and Budget (OMB) in the Executive Office of the President, speaking on behalf of OMB and its director, Mitchell Daniels, highlighted the relevance of the tools framework in the current policy environment, particularly as OMB increasingly uses performance information in the resource allocation

process. The tools framework offers a valuable and systematic way of evaluating alternative forms of program and service delivery.

Two examples from the Fiscal Year 2003 budget process illustrate the approach's relevance:

(1) This year's budget document presents comparisons of effectiveness and costs for several different programs with similar outcomes. In the case of wetland preservation, for example, different agencies have different average costs of establishing an acre of wetland because they rely on different tools: the Corps of Engineers will dig a wetland for \$3,900, the Department of Interior will buy a wetland for \$2,250, and the Department of Agriculture will obtain an easement for \$1,200. These comparisons provide a good picture of choices of designs and tools available to policymakers.

(2) OMB's new system for rating program effectiveness can also benefit from the tools approach. A team of budget examiners is now preparing to add more rigor to the assessments for the next budget and to cover a broader range of programs. One of the team's first



GAO's interest in joining with OMB and Johns Hopkins University to sponsor this conference stems from a mutual recognition [that] the tools approach ...allows policymakers and practitioners to better understand the evolving strategies of public action...

— Paul Posner



steps was to develop criteria appropriate to different categories of programs, which mirror the tools framework.

The tools framework has the potential to enrich and expand ongoing discussions on measuring performance and contribute to a better understanding of

what works. Breul concluded by noting OMB's pleasure in joining with GAO and Johns Hopkins University in this effort to learn more about the implications the various tools have for government effectiveness.

The tools framework offers a valuable and systematic way of evaluating alternative forms of program and service delivery.

— Jonathan Breul

2. The Tools Approach in Concept: A New Perspective on Government Performance

Introduction

Session moderator **Timothy B. Clark**, editor of *Government Executive* magazine, noted that *Government Executive* has written extensively over the past 15 years about various government management reform agendas. In almost all cases, the reform efforts tended to be inward-looking and focused on how agencies are run, rather than outward-looking and focused on results.

The gradual rise of third-party government has been recognized for some time by members of the media who deal with public administration topics, but the difficulties of managing complex relationships have now become apparent to the public at large in the aftermath of September 11. Clark voiced the hope that growing public appreciation of these complexities will build support for the public sector, and that growing understanding of the tools for achieving government results likewise will refine our approaches to solving the difficult problems that can only be addressed by government action.

The Tools Concept

Lester Salamon, Director of The Johns Hopkins University Center for Civil Society Studies and author of *The Tools of Government: A Guide to the New Governance* (New York: Oxford University Press, 2002), presented an overview of the “tools approach” outlined in this book and its relationship to government performance.

Fundamentally, the tools approach calls attention to the revolution that has taken place in the technology of public action over the past several decades as reflected in the proliferation of new policy tools such as grants, contracts, loans, loan guarantees, vouchers, tax expenditures, and insurance, many of which

rely on third parties to carry out public functions and therefore involve the sharing of discretionary authority between public and private agencies. To come to terms with this development, a new paradigm of public problem-solving is needed, a “new governance,” which emphasizes the collaborative nature of current public problem-solving and the need to recognize the enormous challenges, and not just the opportunities, that these collaborative approaches entail.

The key features of this “new governance” paradigm include:

- a focus on the *tool*, rather than the program or agency, as the unit of analysis;
- a recognition of the shift to organizational *networks*, rather than hierarchical agencies, to carry out public purposes;
- an emphasis on *public-private collaboration* rather than separation or competition between the sectors;
- a management approach that relies on *negotiation and persuasion* rather than command and control; and
- an acknowledgement of the importance of *enablement skills*, i.e., the skills of activation, orchestration, and modulation, rather than the

The tools approach calls attention to the revolution that has taken place in the technology of public action over the past several decades as reflected in the proliferation of new policy tools...many of which rely on third parties to carry out public functions.

— Lester Salamon

The “new governance” for all its advantages, poses enormous challenges to management, to accountability, and to the legitimacy of public action.

— Lester Salamon

ment: with authority dispersed and numerous actors involved, management becomes more complex, rather than more straightforward. Alongside this is a challenge to *accountability*, since government is no longer in direct control of the programs it administers; new concepts and mechanisms for ensuring accountability are therefore required. Finally, the new governance poses a *legitimacy* challenge, since publicly funded services are often delivered by entities other than those that authorized or paid for them,

My experience seeking to maximize public value as Mayor of Indianapolis involved implementing the tools approach in practice.

— Stephen Goldsmith

these tools, and of how best to operate the tools that are used. Developing such understanding is one of the main purposes of this conference.

traditional management control skills, as the key to program success.

This “new governance,” with its increasing reliance on third parties, has a number of political and economic advantages. But it also poses at least three critical challenges. The first is a challenge to *manage-*

ment, obscuring the link between the services citizens receive and the taxes they pay.

To cope with these challenges, better understanding is needed of the operating characteristics and likely consequences of the various tools available, of the optimal design of programs using

Comments

Stephen Goldsmith, Professor of Public Management at Harvard University’s Kennedy School of Government, drew on his experience as former mayor of Indianapolis to illustrate the usefulness of the tools approach. As an elected official, his primary objective was to maximize public value with available public resources. Not believing that the choice of sector (public vs. private) would maximize value, he adopted the tools approach—even if not consciously—in identifying solutions to the city’s problems.

A clear example is the implementation of the new welfare system, in which the government’s objective was not to hand out checks and follow bureaucratic rules, but to put people to work. The new system required a network solution involving a variety of public and private actors delivering the services they were most capable of providing and a new role for government as network activator. Enabling government employees to play this new role required precisely the “sensitive modulation of rewards and penalties” emphasized in the tools approach so that incentives encouraged a focus on maximizing public value rather than controlling people and information.

Scott Fosler, Visiting Professor at the University of Maryland School of Public Affairs, agreed that the tools approach provides a useful framework and noted that it brings together two streams of theory and practice: tools and governance. The increasing use of the various tools of government during the 20th century was obscured by the growth of government. During the 1960s and 1970s, there was tremendous experimentation with these tools, especially at the local level, and during the 1980s as public-private partnerships expanded. In the 1990s, the concept of governance came to the fore, with emphasis on identifying public purposes, asking which

institutions are best able to contribute, and focusing on which performance capacities were required.

The “new governance” lens brings to light a number of concerns:

- The need to strengthen the current capacity of public administration to manage the number and complexity of tools and situations.
- The limitations of some economic concepts if applied too narrowly in developing and using government tools. For example, the concept of “market failure” tends to assume that markets arise spontaneously, when they almost always require the pre-existence of basic social institutions, and may require specific government actions to create as well as to sustain them.
- The accountability challenges that arise as systems become more and more complex and citizens are additional steps away from governance structures. We need to build a system of positive government ethics, grounded in the concept of performance, so that ethical tool use becomes the expectation and habit and is not overly dependent on oversight and enforcement of legal standards.

Neal Peirce, a member of the Washington Post Writers Group, enumerated two themes—regionalism and homeland security—to illustrate the usefulness of the “tools” point of view. It has become increasingly clear that no issue can be solved on a purely municipal basis. Homeland security has added a new level of complexity to public problem-solving, requiring issues to be addressed by multiple jurisdictions and multiple actors working together.

The new draft plan adopted by the Washington-area Council of Governments is an example of the tools approach in action. The usually uncooperative local governments pulled together under the gun of being

a “target-rich environment” to define their security problems clearly and to recognize the need for compacts to coordinate services and for cooperation with other actors, including private sector entities such as utilities and even the media. Homeland security will require new forms of regional governance and new public-private arrangements. The tools approach provides a solid framework for developing and understanding these new arrangements.

Margaret Hill, Senior Advisor at the Policy Research Secretariat of the Government of Canada’s Privy Council Office, observed that the tools approach developed by Salamon et al. represents an important advance in our understanding of the choice of policy instruments. On the empirical side, the approach captures the increased complexity of instrument choice, as well as the innovations that have taken place in instrument design and implementation in recent decades. On the theoretical side, the approach is based on—and provides new insight into—the distinctive political economies and structures of governance associated with diverse kinds of instruments.

The new governance lens brings to light the accountability challenges that arise as systems become more and more complex and citizens are additional steps away from governance structures.

— Scott Fosler

Homeland security will require new forms of regional governance and new public-private arrangements. The tools approach provides a solid framework for developing and understanding these new arrangements.

— Neal Peirce



The Canadian experience with policy tools suggests a number of opportunities for refinement. In particular, Hill recommended that consideration be given to:

- Exploring the place of emerging genres of instruments that are gaining in importance for policymakers around the globe, such as procedural tools (including those related to capacity building and research funding) and international and transnational ones (e.g., Commission for Environmental Cooperation);
- Taking a more comprehensive view of the governance regimes invoked by different policy tools and exploring the roles played by ideas, institutions, and a broader range of policy actors, including non-governmental actors, in the dynamics of choice; and
- Refining understanding of the interconnections between different tools, their governance regimes, and the nature of public problems they both address and help to shape.

3. The Tools Approach in Practice: Some Illustrations

To illustrate the potentials of the tools approach, analysts at GAO and OMB presented findings from recent and ongoing analyses of the use of different tools in two specific policy fields: low-income housing and higher education.

Low-Income Housing

Stanley Czerwinski, Director for the Physical Infrastructure Team at GAO, and **Daniel Garcia-Diaz**, Senior Analyst at GAO, presented the results of their study comparing the characteristics and costs of housing assistance programs. Many subsidy delivery tools are available to make housing affordable to low-income households. These include “on-budget” tools such as vouchers, grants, direct loans, and loan guarantees, which are easy to track within the budget; and tax expenditure tools, such as tax credits and property tax abatement, which are less visible and harder to measure.

Estimating the full cost to public and private entities of all affordable housing programs was no simple task, especially given the increasing complexity and mix of tools being used to finance affordable housing. Nevertheless, the study found that vouchers (demand-side subsidies) were less expensive than production programs (supply-side subsidies), but that the cost difference between vouchers and production programs was smaller than those estimated in earlier studies. The reason for this is that rather than estimating costs over a single time period, as many of the earlier studies had done, GAO estimated the long-term costs of these programs, which resulted in smaller cost differences between these two program types. Other findings showed that vouchers and production programs offer their own distinct benefits. Vouchers can offer greater choice and mobility when housing supplies are ample. Production programs can add to the supply of afford-



able housing as well as contribute to community revitalization.

The study process highlighted a number of challenges for oversight of program cost and effectiveness. Data were difficult to obtain and standardize, reflecting the fact that the program managers are not thinking in cost-benefit terms. To improve accountability, those who select and apply tools should consider developing and harmonizing data so that the tradeoffs inherent in implementing one tool over another can be determined.

Steve Redburn, Chief of OMB’s Housing Branch, began with a brief description of three generations of housing assistance programs and their use of various tools. In the 1930s, the federal government became directly involved in low-income housing production (1.2 million units of public housing built between the 1930s and the 1970s are still standing, and one in six is now substandard).

To improve accountability, those who select and apply tools should consider developing and harmonizing data so that the tradeoffs inherent in implementing one tool over another can be determined.

— Stanley Czerwinski



Low income housing programs between the 1960s and 1980s became more complex, with private developers entering into long-term subsidy contracts with government. The estimated 1.5 million units developed under these programs, for which the Department of Housing and Urban Development has responsibility, have become an increasing management challenge as these properties have aged and contracts have expired. “Third-generation” programs are dominated by portable vouchers, permitting recipients to select their own apartments in the private market. These programs currently aid some 1.8 million low-income households.

Public sector professionals need to consider at least three sets of issues in selecting the right mix of tools for affordable housing programs: location and mobility, housing supply, and effects on private investment.

— Steve Redburn

The second is the HOME block grant, begun in 1990, which provides \$1.8 billion to local and state authorities to use for construction, rehabilitation, or vouchers, as needed. Both third-generation production programs devolve administrative responsibility to local authorities, leaving the federal government with no direct liability.

Alongside the voucher programs are two third-generation production programs, which address the design flaws of those of the first two generations. One is the low-income housing tax credit, enacted in 1986, which, at an annual cost of approximately \$5 billion in lost revenue, provides incentives for the development of some 90,000 units per year.

Public sector professionals need to consider at least three sets of issues in selecting the right mix of tools for affordable housing programs:

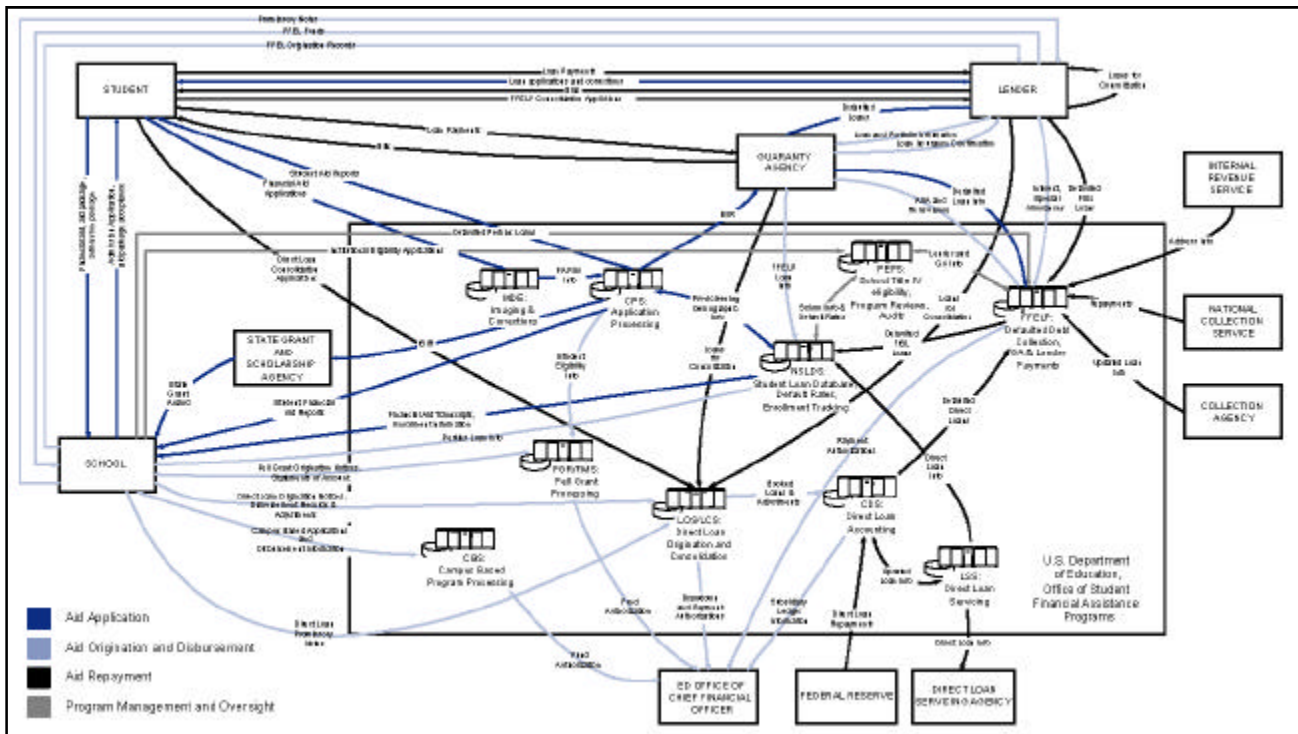
- **Location and mobility.** Studies have shown that the option to choose one’s neighborhood brings people out of low-income neighborhoods, improves their access to services not available in those areas, and ultimately enhances their prospects for self-sufficiency.
- **Housing supply.** In a situation of limited affordable housing, the first impulse is towards production programs. However, with a three- to five-year time lag before new units are approved, financed, and built, the market is likely to have changed and may possibly have corrected the situation.
- **Crowding out private investment.** Public sector production programs are believed to crowd out private development. Vouchers tend to have less of a crowding out effect than do construction programs.

Higher Education

Kathryn Stack, Branch Chief for Education at OMB, pointed out that a broad array of tools is also currently being used to improve access to higher education. In fact, any given student could be the beneficiary of as many as four or five different forms of assistance at any given moment. This is a result of the evolutionary path of higher education assistance programs, which progressed from using more indirect to more direct tools—exactly the reverse of housing assistance. As new tools were introduced, however, they did not replace existing tools, but were added to the increasingly complex repertoire.

One of the critical challenges in managing these higher education programs is coordinating the large

Federal Student Aid Delivery Systems, 1999



number of stakeholders, systems, and tools currently involved. Specifically, the system includes 40 million students/borrowers, 6,000 post-secondary schools, 3,600 lenders, 100 secondary markets, 60 federal contractors, and 36 guaranty agencies. The absence of a coordinated information system to track the multiple participants and instruments hinders implementation efforts and accountability. The Department of Education’s direct student loan program, created in 1994 to reduce costs by removing intermediaries, poses additional challenges in terms of capacity. During the start-up of the direct loan program, the Department underestimated the need for financial expertise in planning its operations. This led to serious problems, from which the Department is still recovering, in running what is now a \$70 billion annual operation.

Tom Weko, Senior Analyst in GAO’s Education, Workforce, and Income Security Group, offered a general outline of an ongoing study comparing higher education policy tools. The effort to make such a comparison across tools presents a number of challenges. Principal among these is the challenge of accessing and linking data from a variety of sources. An illustrative case is pre-paid college savings plans. Information would be available from tax returns, but these might be inaccessible because of privacy concerns. Furthermore, the time frame of the potential data source (i.e., the tax

Any given higher education student could be the beneficiary of as many as four or five different forms of assistance at any given moment.

— Kathryn Stack

year) and that of the tool being examined (i.e., the academic year) do not coincide. The ability to integrate data is key to any comparison of the effectiveness of various tools.

Comments

Robert O’Neill, President of the National Academy of Public Administration, highlighted a number of lessons to be learned from these illustrations:

- The complexity of identifying and resolving modern day problems is overwhelming for both policymakers and policy-implementers. The tools framework helps make sense of it.
 - As the presentations on higher education revealed, programs are additive, i.e., they add new tools atop and alongside existing tools.
- Therefore, practitioners are called upon to engage in “portfolio management” to maximize the public’s return on its investments.
- A critical challenge is how to focus accountability across a range of relationships. Related to this is the challenge of building “alliance management” into the curriculum of public policy and administration programs.
 - All of these tools work in optimal times. Further analysis and training should look at worst-case scenarios, which inevitably bring value conflicts into the situation, requiring means for dealing with the adjudication of conflicting values.
 - As both presentations indicated, locating and integrating data from a variety of sources for use in examining and evaluating the cost and effectiveness of the various tools are incredible challenges. At a minimum, we need to search for surrogate indicators.

4. The Tools Approach and Government Effectiveness: The Issues

Introduction

Lester Salamon welcomed the participants to the second day of the conference and outlined the framework for the balance of the session, which focused on how to implement the tools approach. As noted on the previous day, the proliferation and growing reliance on new tools, many of which rely on third parties, has fostered a major shift in the character of public action. In light of this shift, three central issues need to be addressed:

- **Program design.** What are the implications of the different tools for the way we design public action?
- **Management.** What are the implications of the range of indirect tools for public management?
- **Training policy professionals.** What is the capacity of the public and private sectors to cope with this new reality? Has awareness of these tools penetrated the training of public administrators, policy analysts, or nonprofit managers? If not, what needs to be done?

This initial session was designed to frame these three issues as a prelude to a series of working groups in which the issues were examined in more depth in the context of particular tools.

The Design Challenge

Guy Peters, the Maurice Falk Professor of American Government at the University of Pittsburgh, discussed the design issues involved in matching tool features with program purposes. The design problem for policy has three fundamental elements: (1) a logic of causation, (2) a logic of instrumentation, and (3) a logic of evaluation. The first element, the logic of causation, refers to one's notion of the nature of the problem and of what causes it.

This can have multiple answers, and these answers will, in turn, have an impact on the types of instruments one chooses. It is critical to understand that there is a fundamental inadequacy in the way we think about policy problems in simple, functional terms (e.g., this is an agriculture problem; this is a health problem, etc.). Problems have numerous dimensions, which include solubility, complexity, scale, divisibility, monetization, and interdependency.

The logic of instrumentation refers to how to address the problem. There are many alternatives, and one's choice of instrument is a function of one's perception of the cause of the problem, as well as custom and habit.

The logic of evaluation focuses on two questions: (a) what is good policy, and (b) what values are we trying to maximize? Tools are not ethically or normatively neutral. In evaluating instruments, there are four dimensions to consider: economic, programmatic, political, and ethical.

In linking these three fundamental elements together, there is no magic formula or algorithm. Choices involve trade-offs among all of these elements and require a political choice about what to maximize. In addition, the choice does matter, on both utilitarian and non-utilitarian grounds.

The proliferation of new tools has raised important new issues of program design, program management, and the training of policy professionals.

— Lester Salamon

It is critical to recognize that conscious choice of an instrument is better than unconscious habit or path dependency.

— Guy Peters

Most significantly, it is critical to recognize that conscious choice of an instrument is better than unconscious habit or path dependency.

The Management Challenge

Phillip Cooper, the Gund Professor of Liberal Arts in the Department of Political Science at the University of Vermont, focused on managing indirect government. The irony of contemporary policy tools is that policymakers thought they would get rid of management issues by using indirect tools. However, they have found that third-party government poses immense management problems, as Salamon's "new governance" emphasizes. The management issues of indirect government have five main themes. The first theme is "The Coordination



Crisis." As many of the tools "push down" and "push out" actions and decisions, there is a problem in pulling everything back together. Although the academic world has not comprehensively studied the management complexities resulting from this movement, it has identified some central tendencies:

- **The scale factor.** Scale changes the nature of a tool and how it is used.
- **The complexity factor.** The "new governance" involves more organizations and units connected by complex agreement structures. Furthermore, tools work in different ways in different contexts, so differences among jurisdictions affect outcomes.

- **The network challenge.** More than ever before, organizations are having to operate as parts of networks, which involve a host of diverse, multiple contacts, and hence significant effort. Thus, there are internal organizational consequences of getting involved in networks.
- **The capacity deficit.** A network is only as strong as its weakest link. However, there is a lack of slack resources to ensure networks are adaptable and responsive, and this can result in an increase in dependence.
- **The structure frustration.** Internal agency structures must adapt to fit the requirements of the different tools agencies use.
- **Instability paradox.** Although we do not want to focus on institutions that block necessary change, there is also a need for stable institutional platforms from which to operate.
- **The contingent authority problem.** Complex tools are being used under unclear, changing authorities.
- **The competition dilemma and the niche market tendency.** We want to use competition, but in many contexts competition is at odds with cooperation.

Given these tendencies in the "new governance," the key question is how to provide some sense of coherence, coordination, and direction to policies and service delivery.

In addition to the coordination crisis, the management issues of indirect government also take four other forms:

- **Vertical and horizontal authority.** Government contracting is so tough because it often places decision-makers between vertical and horizontal authorities.
- **Parallel systems management.** As each tool requires different skills, managers who are

responsible for systems utilizing a range of tools face particular challenges.

- **Accountability.** Tools involve three levels of accountability—political, legal, and market—that are in many respects mutually inconsistent.
- **Problems of management infrastructure.** Improvements need to be made in public law to ensure it is facilitative today. More support needs to be given to those involved in management, and more attention needs to be devoted to management and the tools themselves.

In essence, management matters—regardless of the policy tool or policy mix, effective management is critical.

The Training Challenge

Eugene Bardach, a Professor of Public Policy at the University of California at Berkeley, discussed the implications of the tools approach for training policy professionals. Teachers working to train policy professionals should have three goals: (1) to impart key knowledge about the tools; (2) to foster an appreciation for the variety of tool options and the use of third parties; and (3) to nurture “craftsmanship,” i.e., the capability to solve problems by translating the general to the particular. To achieve these goals, Salamon et al.’s *Tools of Government* book is an extremely useful resource for teaching. However, there are additional teaching tools that instructors could use in conjunction with the text to train policy professionals:

- Case studies, particularly those that illustrate (a) the exemplary use of tools, (b) catastrophic failures, and (c) comparisons between radically different alternatives; and
- Simulations which engage students in solving problems and/or utilizing different tools.

Teachers must also keep in mind that this type of instruction does not have to occur only in courses called “Tools.”

Teachers of all types of policy classes, including economics and management, can integrate the tools framework into their lessons.



Audience Q&A

This discussion seems to assume that (a) we have institutions that can collect the data and do the analyses needed for the tools approach to be effective, and (b) people can really make choices in government. Do we have this capacity, and can we really make choices?

Guy Peters: The choices we make are at the margins. However, even if we cannot implement what we want, it is still critical to think through the issues. Although we may have to make marginal changes, small positive change is still an improvement. Also, it is important to keep in mind that the tools themselves create interest in maintaining them.

Phillip Cooper: We do not yet have institutional capacity at the federal, state, or local level. That is why it is critical to have a management infrastructure in place. The federal government could help by providing more assistance to the states. Also, although we do not always have choices, we can still choose to use the tools better.

5. Policy Tools and Government Performance: The GAO Perspective

David Walker, Comptroller General of the U.S., began his presentation by pointing out that this conference represents the first time that GAO, OMB, and a private university have come together to address significant issues. This collaboration reflects the realization that most problems today have no boundaries, and as such, we must partner for progress to tackle them.

This need to partner reflects a number of key trends that are having a profound effect on the United States and its position in the world. These trends include the globalization of markets, enterprises, and information; changing security threats; changing demographics; rapidly evolving science and technology; rapidly increasing healthcare costs; a range of quality of life issues; a changing economy; and an evolving government structure. As more and more

The tools framework encourages us to look beyond the question of how well an agency manages its programs and to focus in addition on questions such as “with what tools?” and “through which actors?” does an agency work.

— David Walker

issues are global and local in nature, the middle players—including the federal government—will have an identity crisis in determining their proper role. The federal government will be challenged to respond to emerging issues while shouldering ever increasing fiscal burdens in serving an aging population. Assuming that discretionary spending grows with the economy after 2002 and that the expiring tax provisions under the Economic Growth and Tax Relief Reconciliation Act of 2001 are extended through the end of the simulation period, federal spending for net interest, Social Security, Medicare, and Medicaid would consume nearly three-quarters of federal revenue by

2030. By 2050, total federal revenue would only cover interest payments and promised social security benefits. Clearly, absent reform of Social Security and healthcare, financing existing commitments will constrain the nation’s capacity to address the needs of a changing society.

To maximize the government’s opportunity for success, there need to be incentives to do the right thing, reasonable transparency to assure that the right thing will be done, and appropriate accountability if the right thing is not done. GAO fits into this context by providing insight into what does and does not work and foresight on key issues and trends shaping our future choices.

For both of these tasks, the tools framework can be immensely helpful. More specifically, this framework can (a) help elected officials in determining the proper role for the federal government, and (b) assist federal policy officials in determining how the government should do business. This framework encourages us to look beyond the question of how well an agency manages its programs and to focus in addition on questions such as “with what tools?” and “through which actors?” does an agency work. In other words, it brings into better focus three key influences on program success: (1) management; (2) the various direct and indirect tools; and (3) the wide range of actors the different tools engage.

To promote the improved design and management of tools, we must adopt new dimensions for performance and accountability. This could include four major dimensions:

- **Tool selection.** Are tools selected to reinforce each other or do they work at cross purposes?
- **Tool design.** Are features included to reinforce accountability and responsibility by third parties for program costs and outcomes?

- **Third-party networks.** Are the incentives and interests of the various parties aligned?
- **Oversight.** Do federal agencies have the capacity and authority to effectively oversee the variety of third parties?

This suggests a number of questions that could well set the agenda for future work:

- What do we know about the effectiveness or implementation challenges of the various tools in different contexts?
- What do we know about the incentives and interests of the actors that different tools engage?
- How can public policy evaluators, analysts, and academic leaders improve our knowledge of tool operations?

Clearly, this conference needs to be seen as a beginning, not an end. Our greatest challenge remains coming together to re-assess government's role and its methods of doing business in light of all the world changes that have and will continue to occur.

Audience Q&A

As the chairman of the Congressionally appointed commission on contracting, what can you share about the preparedness of the federal workforce to address and actively oversee contractors?

David Walker: This commission includes representatives of labor, government, the contracting community, and other parties involved in contracting, and has been meeting for about a year. By May 1, 2002, its recommendations on a range of issues, including a set of principles that should be followed for all types of contracting, will be public. From working on this commission, it is clear that an increasing percentage of what government is doing



is being done by third parties. In some cases, contractors are doing a good job, but in other cases they are not. Moreover, it is clear that many agencies are over-relying on contractors. Also, some agencies do not have enough people with the skills and knowledge required to successfully manage these contracts.

Given that government has a tendency to rely on accountability structures oriented towards punishments rather than rewards, how can GAO bring greater balance between those two elements?

David Walker: It is critical to look at the “value” and “risk” equation. Leaders must maximize value and manage—not minimize—risk. A lot is related to the tone at the top and to establishing an environment that taps people’s expertise and that allows reasonable innovation. Changes also need to be made to the performance measurement reward system. Government compensation is too heavily influenced by the passage of time and inflation. Instead, a system in which decisions are based on skills, knowledge, and performance should be adopted. This is being done at GAO, and GAO is trying to encourage others to do the same.

Should we be focusing more on transnational policy instruments given the trend towards globalization?

David Walker: Yes, we should focus more on transnational policy instruments. Moreover, we should look outside of our boundaries to determine if

Clearly, this conference needs to be seen as a beginning, not an end.

— David Walker

other countries are ahead of us and have experienced the same problems we are now facing. Similarly, we should look domestically to learn what states and localities have done.

Given that elections run in two to four year cycles, what can be done to get people to think beyond that short period?

David Walker: It is critical to “put a face” on issues. One way to do this is to ask people to think about their children and grandchildren. It is also important to encourage the students coming out of college to get involved in government; you need to motivate the players to make our democracy work. Finally, it is essential to provide decision-makers with the information and metrics needed to make knowledge-based choices.

6. Working Group Reports: Implications of the New Governance for Government Performance

Conference participants broke into a number of working groups to discuss the challenges to policy design, program management, and the training of policy professionals posed by the proliferation of tools of government action, and to consider the opportunities for improvement that the tools approach offers by focusing attention on these different instruments. For summaries of these Working Group discussions, see Appendix A.

Following the Working Group sessions, moderator **David Garrison** of the National Academy of Public Administration invited the working group chairs to highlight the key conclusions of their discussions about the implications of the “new governance,” focusing particularly on four themes: (1) implications for policy formation and program design; (2) implications for management improvement; (3) implications for training and capacity building; and (4) implications for accountability and program performance.

Implications for Policy Formulation and Program Design

Grants

Carl Stenberg, The University of Baltimore

Policy formulation and program design are dominated by politics. Grants operate in a political environment. For instance, grants are often used to support the agendas of state and local jurisdictions and to buy political support. They also need to be viewed in the context of their interaction with the other tools.

Contracts

Jack Brock, General Accounting Office

The design issue begins with a key decision point—the determination of whether to make or buy. Once this choice is made, other issues such as how to organize and manage the contract process can be made.

Tax Expenditures and Vouchers

Joseph Minarik, U.S. House Budget Committee

There are a lot of ideological views about tax expenditures. Although most people seem against them, this instrument is still commonly used. The advantage of this tool is that it allows “one-stop-shopping”—i.e., the IRS tax forms on which this tool depends already exist. Vouchers are used to give beneficiaries the ability to choose, to create competition among providers, and to control costs. However, they tend to raise a host of other issues such as the determination of who is eligible and the lack of automatic annual review.

Loans, Loan Guarantees, and Insurance

Robert S. Seiler, Jr., Office of Federal Housing Enterprise Oversight

These tools aim to achieve two key objectives: (1) to serve borrowers generally not served by conventional financial institutions (e.g., those with high credit risk or income constraints); and (2) to provide subsidies. A tension exists because it is difficult to meet both objectives while limiting risk. Another challenge with these tools is that determining the costs and benefits is a compli-

Greater information is needed to better design, implement, and evaluate [loan and loan guarantee] programs.

— Robert S. Seiler, Jr.

cated process that requires complex data and calculations. Greater information is needed to better design, implement, and evaluate these programs.

Regulation, Torts, and Corrective Taxes

Robert Nakamura, State University of New York at Albany

Because no one wants to be subjected to these tools, and they are not easy to implement, these tools are unpopular. Politics often shapes when these tools are used. Studies indicate that regulation tends to be effective. Because it is difficult to measure costs and benefits, the efficiency of these tools is unclear.

Direct Government, Government Corporations, and Information

Richard Stillman, The University of Colorado

There is disagreement about the definition of this tool—practitioners think that direct government comprises all government tools, while academics think that direct government is defined by law. Despite this debate, conference participants agreed that direct government is ethical, accountable, and highly equitable, and that it works if government’s mission is clear. It is also important to recognize that this tool is very diverse—with many types of government organizations that range from hierarchical to flat organizational structures.

At the systemic level, grants are facing many of the same challenges that they were experiencing 40 years ago, such as complexity and confusion. At the programmatic level, however, there have been some promising developments that have the potential to improve program management.

— Carl Stenberg

Implications for Management Improvement

Grants

Carl Stenberg

There are two levels of management challenges in the operation of grant programs—systemic challenges and program challenges. At the systemic level, grants are facing many of the same challenges that they were experiencing 40 years ago, such as complexity and confusion. At the programmatic level, however, there have been some promising developments that have the potential to improve program management. These include Internet access to information about grants, performance partnership programs, and the Federal Financial Assistance Management Improvement Act.

Contracts

Jack Brock

Government is increasingly contracting out goods and services that are complicated and sophisticated. However, this raises the challenge of having to administer contracts for these rather complex goods and services. There is a huge human capital shortage within government, as not enough people have the skills to administer these types of contracts.

Tax Expenditures and Vouchers

Joseph Minarik

A key issue for management of tax expenditures and vouchers is coordination. As there are often many tax expenditures designed to meet the same goal, coordination between the substantive agencies and the tax authorities is needed to secure the best deals for both the government and tax payer (i.e., the beneficiary).

Loans, Loan Guarantees, and Insurance

Robert S. Seiler, Jr.

Most management problems in loan and loan guarantee programs today relate to the deficiencies of the Federal Credit Reform Act of 1990 and some of the incentives it has created. There are two key lines of thought concerning these problems. First, government needs to be committed to the coordinated and integrated management of the federal government's loan portfolios. Second, there needs to be a stronger linkage between the subsidy calculations and the program management performance evaluations to provide agencies with an incentive to improve operations and innovate.

Regulation, Torts, and Corrective Taxes

Robert Nakamura

A major challenge in the management of regulatory programs is that regulators often have multiple, conflicting goals and an inadequacy of enforcement resources. As such, although regulators need to exercise discretion, they have difficulty justifying the discretionary goals they pursue. Corrective taxes also pose challenges because they often include conflicting goals.

Direct Government, Government Corporations, and Information

Richard Stillman

Because there are so many regulations to work through, it is hard for direct government to be effective. It takes highly skilled managers with adequate staff support and resources to perform these jobs. It is important to recognize that while some areas of government have limited management capacity, others have great capacity. Needed reforms include the ending of personnel ceilings and hiring freezes.



Implications for Training and Capacity Building

Grants

Carl Stenberg

There are three contexts for this discussion: (1) institutional, (2) programmatic, and (3) individual. In terms of the institutional context, there is not enough focus in government on intergovernmental management, and as such, few people care about improving it. On the programmatic side, although there is talk about management capacity, we spend a lot of time “chasing the dog's tail” in terms of what capacities need to be built and who should lead the effort. At the individual level, we need to rethink the skills and competencies that should be cultivated in students, interns, and employees, such as information technology, negotiation and conflict management, and performance management.

Contracts

Jack Brock

Capacity issues in contract management are huge. One problem is that many acquisition workforces have been significantly downsized.

There is a huge human capital shortage within government for managing increasingly complex contracts.

— Jack Brock

Individuals operating tax expenditure and voucher programs need stronger networking and orchestration skills.

— Joseph Minarik

Another issue is that the acquisition workforce is usually defined very narrowly. As such, training opportunities do not include all of the people who could benefit. In addition, most agencies lack a strategic plan for

increasing the capacity of their staff.

Tax Expenditures and Vouchers

Joseph Minarik

Individuals operating tax expenditure and voucher programs need stronger networking and orchestration skills. Another key issue is having a sufficient number of workers to complete all of the jobs that need to be done.

Loans, Loan Guarantees, and Insurance

Robert S. Seiler, Jr.

The education process for loans and loan guarantees is very important in both agency training and academia. The inclusion of more cases and simulations in training is needed.

Regulation, Torts, and Corrective Taxes

Robert Nakamura

The skills required for regulatory tools depend upon the role you want regulators to perform (e.g., should they act as “cops” or as “politician/negotiators”?). One challenge is that although we may think more techniques and skills should be taught in Master of Public Policy programs, we do not want these programs to take ten years to complete. It is also important to consider what happens to students once they graduate—e.g., do they find government to be an

attractive employer? Moreover, while we may try to teach students the tools, most analysis shops are not organized in this manner.

Direct Government, Government Corporations, and Information

Richard Stillman

A diversity of skills is needed to operate direct government. Some schools and professional groups are doing a good job in providing training and education. Although others are not doing as well, the broad picture is that we are not doing a bad job.

Implications for Accountability and Program Performance

Grants

Carl Stenberg

Accountability is extremely difficult in grant programs. The system sometimes rewards failure rather than success. A key problem is that evaluation is disconnected from performance. Moreover, because many programs are complex and involve numerous funding streams and jurisdictions, accountability for particular grants is problematic. To improve accountability, grant legislation ideally should include clear outcome goals, a recognition that management capacities differ among recipients, mea-

Accountability is extremely difficult in grant programs. The system sometimes rewards failure rather than success.

— Carl Stenberg

surements for performance, and uncomplicated business processes (e.g., minimum paper work).

Contracts

Jack Brock

Accountability is difficult without accurate measurements, and these measurements are hard to make for many contracts. Another problem is that the people who are accountable for success do not always have the responsibility or resources needed to assure that success.

Tax Expenditures and Vouchers

Joseph Minarik

The tax expenditure tool faces a unique challenge: because tax returns are confidential, evaluations of this tool must be done by government agencies, which have limited resources and important political constraints. Moreover, tax expenditures and vouchers are not reviewed on an annual basis or subject to

sunset provisions. As such, it is hard to achieve reasonable measurement and accountability.

Loans, Loan Guarantees, and Insurance

Robert S. Seiler, Jr.

Accountability and performance in loan, loan guarantee, and insurance programs could be improved with better information and increased visibility. In addition, decisions about program design and implementation could be made more consciously.

Direct Government, Government Corporations, and Information

Richard Stillman

Accountability and performance diverge widely for these tools. At one extreme, the classical, Weberian format of direct government is extremely accountable. On the other side, there are government corporations that are hidden from voters and thus much less accountable.

7. Where Do We Go From Here?

A final panel sought to sum up the conference discussions in response to a series of questions posed by moderator **David Broder** of *The Washington Post*.

David Broder: *What are your thoughts about the challenges and/or implications of the tools approach?*

Hannah Sistare, National Commission on the Public Service

A missing piece in this discussion relates to how tools get chosen. To understand this process, we

It would be ideal to re-organize government so that better tools can be picked. In the meantime, it is critical to educate policy stakeholders about the tools process. GAO could take this on as an ongoing task.

— Hannah Sistare

need to consider the budget process as well as jurisdictional forces. For example, the tool selected by a Senator aiming to advance mental health coverage would likely be influenced by the committee on which the Senator sits. In terms of the future, it would be ideal to re-organize government so that better tools can be picked. In the meantime, it is critical to educate policy stakeholders about the tools process. GAO could take this on as an on-going task.

Mark Abramson, The PricewaterhouseCoopers Endowment for the Business of Government

The general tools framework is helpful, but there are several key issues that need to be addressed. The process for selecting specific tools has become extremely contentious. It is a very political process and is becoming even more so. Despite the talk about public and private partnerships, many people

still view these sectors as separate or as opponents of one another.

We are in an interesting situation today. Most people were hired with the idea that they would be using the direct government tool. They are, however, actually using all the other tools of government. Thus, there tends to be much confusion today about whether or not their jobs are direct or indirect government.

Sallyanne Payton, University of Michigan

Lawyers have been relying on the tools approach since the Middle Ages, and it has worked for them. The tools approach is extremely useful—as tools create patterned relationships, legal relationships in the case of the law, they transfer learning and encourage the portability of expertise across domains. The question is how to create the institutional basis for collecting experience and generating

Thinking in terms of tools is powerful: it allows the tool-user to call on experience and skill developed outside of the tool-user's particular environment.

— Sallyanne Payton

improvements in the tools. To increase government performance and capacity, perhaps particular Congressional Committees could serve as the “keepers” of knowledge about their tools, and OMB and GAO could improve the knowledge base and skill of the people who are designing and administering the tools. Thinking in terms of tools is powerful: it allows the tool-user to call on experience and skill developed outside of the tool-user’s particular environment.

Edward Deseve, University of Maryland

The tools framework helps us focus attention on the considerable innovativeness that has characterized the public sector in our lifetime. My own experience has given me an opportunity to learn about, and help improve the operations of, a number of different tools, from General Revenue Sharing in the early 1970s to the Mutual Mortgage Insurance Fund of the Federal Housing Administration (FHA) more recently. These experiences demonstrate the value of the tools approach and explain why this is such a great time to be involved in government.

David Broder: *Your answers indicate that the selection of tools is influenced by technology, information, the structure of law, political questions, and jurisdictional forces. Do these factors pull in different directions? Can we pull them together?*

Sallyanne Payton: If we sit and try to think about why tools will not work, we will all be depressed. There is a lot to be said for trying to do the best where you are and trying to create standard instrumentalities that can be improved incrementally. If every local decision pushes towards making a choice that is above the median in terms of competent design and effectiveness, best practices will emerge as the tools are worked on. In this way, the system will tend to improve itself without there being a comprehensive plan or enforcer at the top.

Edward Deseve: One problem is that better knowledge often raises a host of additional problems. For example, if the FHA used credit scoring and automated underwriting today, the additional information generated could be used to exclude or include more people. It is critical to recognize that more sophisticated and economical management of the tools could provide more dilemmas for management.



Mark Abramson: Another key problem is that certain tools become politically popular in each administration, but rather than getting rid of old approaches before new ones are adopted, new tools are just added on top of the previous instruments. We need to decide if this is okay, or if we need to go back and clean up the underbrush.

David Broder: *Congress provides many examples of the additive process described by Abramson. Are there any incentives for Congress to switch tools rather than to add a new set of tools to the established mix?*

Hannah Sistare: Most of the incentives encourage Congress to take the additive approach. When Congress creates a new program or initiative, it has a constituency, and that constituency grows. As it is so difficult to pass legislation, people tend to focus solely on the new process, rather than attempting to repeal the old.

The choice of tools can be influenced by the sharing of information

The tools framework helps us focus attention on the considerable innovativeness that has characterized the public sector in our lifetime.

— Edward DeSeve

and best practices. This type of sharing will get you closer to influencing their use and design.

Certain tools become politically popular in each administration, but rather than getting rid of old approaches before new ones are adopted, new tools are just added on top of the previous instruments.

— Mark Abramson

Audience Q&A

How can the tools be institutionalized in a way that will make a difference at the federal level?

Sallyanne Payton: What exactly has to be institutionalized? The more that you can abstract and dis-

Lawyers have been relying on the tools approach since the Middle Ages, and it has worked for them.... The challenge lies in figuring out how to distill the tools knowledge in a way that makes it portable.

— Sallyanne Payton

till, the less detail you have to convey (e.g., “a contract, is a contract,” whether its subject matter is the purchase of a home or a promise of the future delivery of natural gas). This is the great promise of the tools approach. The challenge lies in figuring out how to distill the tool knowledge in a way that makes it portable. Lawyers do this: our stock in trade is our understanding of the basic legal tools. Public administrators can adopt a similar strategy.

Is the management infrastructure there to make the tools approach work?

Edward DeSeve: Yes. For instance, we have passed a series of laws, starting with the Government Performance and Results Act, to require the creation of strategic plans at the federal level. Agencies are now talking about their goals and objectives. Across the board, people are managing their information technology projects better. It is critical to recognize that there are many examples of management infrastructure improvements. In fact, there are many people in this room who have dedicated their lives to improving the management of the federal government.

Traditional command and control approaches have hampered the public sector’s ability to be innovative. How do you stop people who want to use the tools from returning to command and control rather than solving problems?

Hannah Sistare: This question raises the issue of how to affect performance. It is important to study the impact of tools in practice to determine if we are getting performance. We most likely will want to rely on the tools that do not require a lot of “federal hands” or lend themselves to command and control.

Mark Abramson: The advantage of the tools approach is that it encourages you to determine if you want to be hands-on or hands-off, and then to select an appropriate instrument. As such, the tools approach should really drive government towards better tool selection. Moreover, it should begin to inspire a debate about the type of federal intervention needed to attack a particular problem.

David Broder: *Are there principles that can be defined to help resolve questions of when to be hands-on versus hands-off?*

Edward DeSeve: Yes, and these principles include:

- fairness,
- a level playing field,
- the willingness to in-source as well as out-source, and
- the willingness to understand how to partner.

Is there an agenda for different institutions to help improve management across institutional boundaries, as many tools now require? For example, is there an agenda in the academic world? Are we adequately preparing students for this? Also, how can federal officials begin to think more rigorously about tool design and selection?

Mark Abramson: The current budget deficit could push people to think more about the various tools as they are forced to reduce spending. As the structure is now in place for these types of conversations, we will see more of a debate about this topic.

Edward DeSeve: Information systems now provide the data needed for people to develop specific project objectives. With clear, articulated objectives, people will be able to focus on tools. This framework should drive the demand for courses on the subject. In fact, there is a demand for courses on the policy side, and the demand for courses on the management side is increasing.

Hannah Sistare: The schools of public administration and public affairs want to be on the cutting edge of efforts to improve government. A key question is how to educate them about the tools approach. It is a matter of publicity. GAO, OMB, and other agencies need to be intermediaries in this process.

GAO usually gets involved in programs and policies once they are in place. How can we use the tools framework when “the train” is already moving?

Hannah Sistare: A moving train can be influenced. If you bring information to the process that allows the train to move forward and that does not derail it, people will be willing to listen.



Sallyanne Payton:

Competence in carrying out existing programs is essential. As the tools approach allows information to be transferred across policy domains, it can be used to identify best practices and implementation strategies, and thus help people think about program details.

Mark Abramson: Remember that things always get done and then undone. Things also come up for review. As such, it is never too late to effect change. Issues are always open.

How can we structure the legislative and executive branches to be more effective?

Hannah Sistare: We need presidential leadership to improve tool choice and tool management. However, our system is not well designed to encourage a president to take this on. Some people have suggested a commission approach. This could help if the commission could make a strong case for

The schools of public administration and public affairs want to be on the cutting edge of efforts to improve government. A key question is how to educate them about the tools approach.

— Hannah Sistare

restructuring and bring significant attention to the issue.

The discussion about designing tools raises my concern. We need to legitimize the innovative tools being used on the ground rather than encourage the highest levels of government to invent new ones. Could the panel comment on this issue?

Sallyanne Payton: *The Tools of Government* book is a recognition of what has been occurring on the ground. It is an ontology of what is out there, not a prescription for the future.

Edward DeSeve: It is also critical to take a step back and ask, “Does the government really need to

be doing this?” The tools approach is extremely useful for the things we decide to do, but before we even think about the tools, we must determine whether or not government should be involved in the first place.

The advantage of the tools approach is that it encourages you to determine if you want to be hands-on or hands-off, and then to select an appropriate instrument. As such, the tools approach should really drive government towards better tool selection.

— Mark Abramson

8. Conclusion: The Tools Approach and the Future of Public Problem-Solving

In his wrap-up summary of the conference proceedings, **Lester Salamon** of The Johns Hopkins University identified five key conclusions that flowed from the conference discussions and six steps that seem to be needed in response to them.

Key Findings

New paradigm needed. In the first place, Salamon noted, the conference discussions seemed to validate the need for a new framework in policy analysis and public management to focus our attention more explicitly on the significant revolution that has taken place in the technology of public action in recent decades as reflected in the proliferation of policy tools. Each of these different tools has its own structures, routines, actors, and skill requirements; and these must be better understood if program effectiveness is to improve.

Tool choices as political choices. Secondly, there seemed to be general agreement that tool choices matter, and that they affect program operations in consequential ways. This is so not only in technical terms, but also in political ones, since tool choices affect the balance of values that programs support and the relative influence of various actors in the operation of programs. Indeed, conference participant Hannah Sistare even espoused a “supply side theory” of tool choice, in which tools are chosen not because of their fit with program purposes, but because they happen to be the ones available to program advocates by virtue of their Congressional Committee assignment.

Dilemmas of third-party government. A third conclusion of the conference discussions, Salamon noted, was that “indirect” or “third-party” government, while it brings important advantages and reflects enormous inventiveness, also entails

immense challenges. In many cases, indirect tools are harder to manage, raise serious accountability issues, and threaten to undermine the legitimacy of government by separating the financing of services from their delivery.

Knowledge gap. All of this underlines the significant gap that exists in our knowledge about tools. Knowledge about individual tools exists but is widely scattered and rarely assembled in a coherent way. Beyond this, *design knowledge* is lacking, knowledge about which tools are most appropriate for what purposes and how to package tools for best results. Finally, *operating knowledge* is needed, knowledge about how to operate particular tools and how to motivate and incentivize the various partners on which particular tools depend. Indeed, a significant capacity problem exists within government with respect to many of the tools it is using.

Rethinking the role of government. These developments have implications, Salamon noted, for the role of government and for the practice of public administration. Far from reducing that role, the tools framework argues for re-thinking that role to take account of the far more complex job that public managers face in operating a “government-by-indirection.”

Next Steps

Given these observations, a number of steps seem needed in response to the conference discussions,



Salamon observed. Six of these in particular seem especially appropriate.

Increased visibility. In the first place, it seems important to increase recognition of the reality of third-party government, to highlight the considerable

challenges it poses, and to emphasize the resulting continuing need for government to make third-party government function effectively. This can be done through more coherent research, more careful press coverage, and changes in instruction that bring the tools of government into better focus.

Our challenge now is to make this new system of third-party government as effective and accountable as the direct government it replaced while preserving some of the flexibility and responsiveness that the new tools make possible.

— Lester Salamon

Communities of practice. Second, to amass the knowledge base that is needed, “communities of practice” could usefully be formed among practitioners involved in the operation of particular tools, regardless of the field of policy in which the tools are applied. These communities can share experience, identify common problems, and forge workable solutions.

Institutional centers of knowledge. To help ensure that the resulting “tools knowledge” can be linked to the relevant decision processes, institutional centers of expertise on tools need to be created. These can be within the government or outside it. Whatever the structure, decision-makers in government need to know where to go for useable knowledge about when it is most appropriate to use particular tools

and how to structure the tools in order to achieve the desired outcomes most effectively.

Improved training. Important changes are needed in the curricula of public administration, nonprofit management, and public policy programs—as well as in the mid-career training of public managers—to increase awareness of the alternative tools of public action and improve the capacity of both public and private managers to manage the resulting tools. This will require work with the professional associations representing these fields.

New models/best practices. Efforts also need to be made to test new models for operating various tools and to accumulate best practices in tool design and administration.

Integrating tools perspective into performance measurement. Finally, the tools perspective needs to be integrated more explicitly into the performance measurement efforts now under way within the public sector. This can be done by collecting performance information, not only by program and field, but also by tool; and by comparing performance in particular fields across tools, as GAO and OMB are beginning to do.

Conclusion

A century ago, Salamon noted, the leaders of the public administration profession confronted the challenge of creating governmental institutions that could carry out major functions while preserving democratic control. Ironically, some of the mechanisms they developed to solve that problem have ended up creating incentives to shift to an entirely different form of government, one that relies on indirect tools of action and delivers important levels of

discretion over the operation of public programs to a variety of third parties.

This innovation has allowed us to address a wide variety of public needs while restricting the growth of governmental bureaucracy. It has also injected an important element of flexibility into governmental operations. In the process, however, it has created a government that is immensely more difficult to manage and that is much harder for citizens to comprehend and control.

Our challenge now is to make this new system of third-party government as effective and accountable as the direct government it replaced, while preserv-

ing some of the flexibility and responsiveness that the new tools make possible. This is every bit as demanding a challenge as those faced by the architects of classical public administration, and every bit as important.

Salamon closed by thanking the conference participants, the General Accounting Office, and the Office of Management and Budget for taking the time to begin addressing this challenge and noted that the conference would serve not as the culmination, but as the launch-pad, for a broader effort to work on these issues. He invited any conference participants who were interested to join in this effort.

Appendix A: Working Group Discussions

Each conference attendee participated in one of six working groups to discuss a particular tool, or class of tools, in greater depth. Each group featured one or more lead presentations, followed by discussion among the participants. Issues examined in these groups included the following:

- What is the state of government-wide knowledge of this tool?
- How well is this tool working? What generic challenges does the tool confront?
- What are the key features of this tool, and what consequences do they seem to have for program performance?
- What are the major variants of this tool, and what consequences do they seem to have for program performance?
- To what extent is knowledge of the strengths and limitations of this tool taken into account in program design?
- What is the management capacity for this tool within government? What training is available for personnel managing this tool? What improvements are needed?
- What are the implications of this tool for government accountability? To what extent do program officials control the operation of this tool?
- How can the performance of programs embodying this tool be improved?

As the synopses below indicate, the working groups stimulated considerable discussion about the tools of government and raised important questions that need to be further explored.

Direct Government, Government Corporations, and Information

Moderator: Richard Stillman, The University of Colorado

Ronald Moe, Congressional Research Service

There are presently two principal management paradigms seeking the support of our public administration community. The first is the constitutionalist paradigm, which is based on the centrality of law, political accountability, and the distinctiveness of the governmental and private sectors. The second is the entrepreneurial management paradigm, which posits performance and results as the highest management values, not political accountability and due process. Entrepreneurs believe that the governmental and private sectors are alike in their essentials and subject to the same economically derived behavioral norms. Both sectors should be managed according to contemporary business practices. This conference sought to add another management paradigm to this mix, a “tools” approach to management.

The chapter by Stanton and Moe on government corporations and government-sponsored enterprises in the Salomon volume accepts the validity of the constitutionalist management paradigm. The key to quality public management and to the protection of the American citizenry, in their view, lies in keeping the sectors and their respective jurisprudential systems, to the maximum degree possible, separate and distinct.

Most contemporary discussion of public or governmental management is unsatisfactory because it fails to recognize the four levels of governmental management. The first and highest level is best described as the con-

stitutional level where fundamental institutional issues are aired and resolved. The second level involves the general management laws (e.g., Administrative Procedure Act; Government Corporation Control Act) whereby the President and Congress jointly supervise the executive agencies. The third level is concerned with issues of program management. The fourth and final level focuses on process management issues such as measuring performance and results. Constitutionalist tend to be concerned with levels one through three, while the entrepreneurs tend to limit their interest to levels three and four.

Christopher K. Leman, Consultant

The huge expansion of indirect government in recent decades has overshadowed direct government, which remains a “forgotten fundamental.” While now a small portion of the U.S. federal budget, direct government remains the bulk of the federal workforce. It is even more prevalent as one goes to lower levels of government, which explains why state government employment exceeds federal employment, and why local government employment exceeds federal and state employment combined.

During the government “shutdowns” of the 1990s, direct government functions were most likely to be designated as essential, keeping about two-thirds of federal employees on the job. During the September 11 crisis and the anthrax scare, the country turned to direct government agencies like the armed services, federal law enforcement agencies, and the Centers for Disease Control.

More so than indirect government (which has fewer parallels outside the public sector), direct government shares important similarities with families, churches, small businesses, and other organizations that deliver goods and services to people without reliance on third parties. It succeeds by internalizing transactions that with indirect government would be handled through complex contracts and litigation. Direct government executives have more command over what goes on in the field, and employee commitment to the common mission often makes their commands unnecessary.

The problems of indirect government are inherent in its fragmentation. The signature problem of direct government is not ineffectiveness, but an excess of zeal, which produces empire-building and the potential abuse of power. Without firm direction from elected officials, it will always be difficult for direct government to give up a favorite mission, presenting barriers to such needs as closing some military bases and redirecting the research in federal laboratories.

Because direct government is labor-intensive, it is hit particularly hard by dysfunctional personnel policies. Ceilings and hiring freezes force outsourcing even when this reduces effectiveness and harms career ladders. Outmoded civil service rules and procedures make it difficult to hire, retain, promote, and reward the best, and to discourage poor performance.

Budget and accounting reforms seek to link dollars with outcomes. In theory, they will promote economy, but will these reforms subject themselves to measures of cost and benefit? The variety and geographic dispersion of direct government’s tasks vastly complicate dreams to integrate financial and management information. Direct government has succeeded in the past without a grand synthesis; the quest for systematization imposes burdens that could make successful management more difficult. There may be more cost-effectiveness in simpler and more intuitive systems of performance targets, benchmarks, and activity costs.

Highlights From the Group Discussion on Direct Government

Performance

- Participants found varied performance among government corporations and direct government programs, but many instances of success in both categories.
- One participant emphasized that, even in contracting out, local governments frequently find themselves having to teach contractors to do their jobs. According to this participant, government's failure is more in that it tells its story badly or not at all.
- In comparison with the private sector, direct government is at a disadvantage because it often has little choice in undertaking tasks, many of which the private sector has rejected or proven unable to carry out.

Accountability

- One participant suggested that it will not be possible to ensure that spending produces the desired results without government-wide adoption of more sophisticated integrated financial and management accounting systems.
- Another official worried about the unrecognized burden that these systems place upon program managers, questioning whether the extra level of accountability is worth the costs and constraints.

Trust

- More so in the United States than in many other countries, the public distrusts government.
- In painting with a broad brush, Americans focus on government's failures and tend to forget about its successes.
- American distrust of government is a self-fulfilling prophecy. Distrust causes public withholding of the wherewithal for government to carry out its assigned tasks, thereby degrading performance and reinforcing distrust.

Comparative Theory

- A Canadian participant urged more precise use of terms. Without distinguishing external from internal production, the term "direct government" becomes almost all-inclusive. Also, a distinction should be made between the governmental sphere and the public sphere.
- Arthur B. Ringeling, author of the chapter on European experience in *The Tools of Government*, pointed out that "hybrids" (i.e., combinations of government and public enterprises) are widespread in Europe. He suggested that Americans make an effort to draw lessons from this experience.

Economic Regulation, Torts, and Corrective Taxes

Moderator: Richard Wegman, Garvey, Schubert & Barer

Rob Gramlich, Federal Energy Regulatory Commission (FERC)

The Federal Energy Regulatory Commission (FERC) is moving away from using economic regulation as a tool and is moving towards using markets. The tools it currently relies on are fairly coercive, not very visible, and very direct, although it is more frequently using less direct instruments.

FERC is moving towards markets because it is more efficient to use markets when markets are available. Moreover, it can keep watch on the markets and apply other tools when necessary. Economic regulation within FERC has traditionally focused on price setting, but the present pro-market emphasis demands new and diverse expertise in areas such as engineering, economics, and law, including knowledge about how to stimulate competition where it is lacking. The biggest management issue is finding people with suitable skills. A key problem is that the federal government lacks the flexibility needed to keep good people and release individuals who lack the right competencies.

Joe Cordes, George Washington University

Similar problems arise with the use of corrective fees and taxes. Such taxes can be problematic because they can involve competing objectives. For example, the cigarette tax is used to modify behavior and to raise revenue. Another challenge is determining whether or not the activity being regulated is responsive to incentives.

There has been a move from command-and-control regulation to market mechanisms. This move away from command-and-control mechanisms to market-based and decentralized regulation requires an understanding of both the capabilities and limits of market-based tools, such as corrective taxes. As rules and penalties are hierarchical and coercive, it is easier to monitor behavior. Because markets diffuse individual choices, it is not obvious that you can get the same results with them.

Robert Nakamura, State University of New York at Albany

There has been a lot of criticism of social regulation. This tool has been attacked with a deductive approach by appeals to economic theory and with an inductive approach by generalizing from individual cases. However, regulation is really not working so badly. Enforcement leads to compliance, and regulation can often be justified with a cost/benefit analysis. We need to train students to conceptualize the strengths and limitations of these different tools.

In the current anti-regulatory environment, agencies that need to use the regulatory tool are finding new ways to preserve the benefits of regulation without actually regulating. These include: (1) requiring states to regulate, (2) relying on quasi-market mechanisms to achieve policy goals, and (3) promoting best management practices.

Highlights from the Group Discussion on Regulation, Torts, and Corrective Taxes

Implications for Policy Formation and Program Design

- Congress has a tendency to continue to regulate in the traditional command and control style, but opportunities exist to allow for innovative, market-based approaches. In order to make the most out of market-based mechanisms, Congress must enact different types of policies that enable flexibility in implementation by the agencies. Congress must be made aware of the potential benefits of market-based regulatory tools in order to achieve optimum efficiency in policy implementation.
- Advocates of market-based mechanisms must demonstrate the effectiveness of market-based approaches.
- By moving away from command and control type policies, agencies will be able to target their programs more appropriately by taking into account on-the-ground realities.

- Agency administrators often do not get the chance to choose the policy tool, but when given this discretion, they may find such flexibility to be against the agency's best interests because the agencies are often held responsible for implementing competing laws and regulations.
- Since most major legislation is driven by political crises and events, most new policies simply add new layers to programs without eliminating any outdated regulations. This factor complicates implementation for the agencies.

Implications for Management Improvement

- Making use of corrective taxes requires collaboration among different experts who are currently housed in multiple agencies. The difference in languages, cultures, and capabilities across the various agencies limits this type of coordination.
- As some of the old command and control tools are products of particular political periods, they may no longer be the most appropriate tools today. To correct this problem, agencies must consider the present social, political, economic, and environmental contexts in which they make regulatory decisions.
- As a consequence of our legislative system, programs are compartmentalized according to program obligations. As such, although multiple agencies are often all working towards the same policy goal, they may utilize different tools. To improve efficiency, interagency coordination on tool choice is necessary.

Implications for Training and Capacity Building

- Participants agreed that there is a need for students who understand the strengths and weaknesses of each policy tool, have interdisciplinary backgrounds, and understand the strengths and limitations of using markets as a tool.
- A diverse set of skills is needed, including an in-depth understanding of a particular policy area, technical expertise, and legal expertise.

Implications for Accountability and Program Performance

- The tools approach offers a more utilitarian approach than the existing legal and process-oriented paradigm.
- Recent regulatory reform statutes designed to promote efficiency have not achieved their goal since information collection requirements have gotten worse. Agencies are able to demonstrate that they are in compliance with the procedures required in the enabling statutes, even if the agencies are not achieving the broader policy goals behind the statutes.
- Evaluation remains at the program level. Because of the traditional orientation towards programs rather than tools, no one is examining the general performance of the regulation tool.

Loans, Loan Guarantees, and Insurance

Moderator: Robert S. Seiler, Jr., Office of Federal Housing Enterprise Oversight

Ron Feldman, Federal Reserve Bank Minneapolis

There is inherent tension between the two major goals of most government insurance programs: the social goals of insurance, typically transferring income to certain groups, such as farmers or small businesses; and the economic goals of insurance, improving the bearing of risk through insurance coverage and premiums.

Some insurance programs have found it difficult to reconcile these two goals. The end result has been larger-than-expected losses to government. A tools framework suggests a possible solution to the tension: use a tool such as a grant to provide the subsidy and keep insurance to accomplish the economic goals.

It is important to note, however, that these conflicting goals can coexist for a long period of time. Not every poorly designed insurance program will lead to a short-term loss on a par with the banking crisis in the United States. Moreover, policymakers seem to be more keenly aware of the dangers of using insurance to meet social goals. The debate in Congress over terrorism reinsurance has focused heavily on the potential downsides of government insurance.

Tom Stanton, Standing Panel on Executive Organization and Management, National Academy of Public Administration

Credit programs are also tricky to manage. It is politically attractive to extend the credit to favored constituencies, but, unlike grants, credit has a second step, i.e., obtaining repayment. With credit programs, there is also a strong tension between doing good by extending credit and doing well by ensuring the program does not result in huge losses. Politicians and managers have to decide the amount of subsidy and the number of people to serve. Ultimately, unacceptable levels of loss have encouraged reform of credit programs.

The Credit Reform Act of 1990 is valuable in improving program accountability. However, when the government contemplates loan sales or risk sharing with the private sector, credit reform may not produce economically superior outcomes. The private sector has a higher cost of funds than the U.S. government, and, unlike the rules of credit reform, bundles administrative costs with credit costs in considering the purchase price for a pool of government loans. For example, sales of direct student loans would save the government considerable administrative costs; however, the credit reform rules preclude sales of many such loans because the administrative savings are not included in scoring of the transaction for budget purposes.

Also, agencies need to improve the quality of the data that they use to generate credit budget estimates for their programs. There is little consistency between numbers reported for credit budgeting and the other numbers that agencies use to monitor performance of their credit programs.

In the Federal Housing Administration's (FHA) case, the private sector is becoming more efficient, while the FHA retains an underserved group of clients. The FHA has done fine over the past ten years, but can it sustain its financial soundness during less prosperous times? To avoid unacceptable losses from adverse selection, the FHA should change the nature of its program from offering a funding advantage based on low-cost government guarantees, to targeting nontraditional populations for pilot credit programs and providing information to show the private sector which types of loans are creditworthy and profitable.

Further, there is a need for the government to restore the Federal Credit Policy Working Group, which had allowed agencies to discuss common problems. OMB formerly hosted this group, but no longer gives any priority to this collaborative interagency forum to promote improved credit management. The Financial Management Service of the Treasury Department might be a good host of such an interagency group.

Highlights from the Group Discussion on Loans, Loan Guarantees, and Insurance

- Receivables are growing quickly as the operating budgets of federal credit agencies are declining. This has translated into a rising ratio of outstanding loans to agency personnel available to manage the loans.
- One solution is the sale of loan assets to reduce the cost of servicing them. The Small Business Administration (SBA) is a successful example of such a strategy: the SBA managed to downsize staff and servicing costs while its portfolio expanded.
- Implementation of the Debt Collection Improvement Act should be expanded, including increased attention to “gain sharing,” i.e., sharing the benefits of resource savings from asset sales with the agency that sells the loans.
- Credit and insurance programs entail a balance of financial prudence and social policy objectives. On one hand, the main constituency for student loans is the banking industry, which is able and willing to collect from delinquent borrowers. On the other hand, disaster relief loans contain a stronger element of social policy; the SBA has some reluctance to apply commercial standards in collecting on delinquent loans to disaster victims.
- The Treasury Department should step in to help agencies adopt improved practices and think these issues through by hosting a credit policy working group.
- Agency supervision should focus on how risk is managed as well as the magnitude of risk.
- Ten years after the enactment of the Credit Reform Act, the accuracy of the numbers used for budget purposes is improving. However, the credit budget data continue to have a bias against reporting bad news about the cost of defaults and the extent that the government loses money on defaulted loans.
- To ensure accuracy, there should be a link between the numbers used for budgeting and those used for program management.
- Reform worked to make credit programs more visible in the federal budget, but insurance programs still remain largely invisible and beyond the reach of budget decisions.
- Credit reform does not adequately account for the benefits of asset sales and some forms of public-private ventures to share risk.

Tax Expenditures and Vouchers

Moderator: Joseph Minarik, U.S. House of Representatives Budget Committee

Christopher Howard, College of William and Mary

As most people view grants and contracts as the main vehicles for social policy, tax expenditures are often overlooked even though they are prolific. The advantages of choosing tax expenditures as a tool include anonymity and indirectness. In addition, because tax expenditures are perceived as both a tax cut and a benefit, they have the advantage of being ambiguous. Moreover, tax expenditures provide “one-stop-shopping,” i.e., all benefits can be claimed when taxes are filed.

However, there are two management challenges inherent in tax expenditures that make oversight and evaluation problematic: entitlement and indirectness. Once written into law, tax expenditures are renewed every year without a debate, and thus come to be seen as entitlements. The second management difficulty is tax expenditures’ indirect nature. As negative taxes, they are difficult to compare to the cost of direct government outlays.

Eugene Steuerle, The Urban Institute

The voucher tool is defined as a value limited subsidy that allows the purchase of specific goods or services. Vouchers are used to elicit supply. They are widespread and very flexible. There are three primary benefits of using vouchers: choice, competition, and desegregation. First, vouchers allow recipients to choose their service providers and have a fixed dollar amount, which makes them easy to budget. Second, because vouchers allow consumers to choose their providers, providers are forced to improve their products to remain in the market, a factor which improves program efficiency. Last, voucher programs aid the desegregation of services by class and race.

Vouchers have two inherent problems: politics and adverse selection. Specifically, because interest groups with a stake in a program will advocate for the voucher, ending or modifying a voucher program becomes difficult. Moreover, those who are "better off" will be the ones who take advantage of the voucher, leaving behind those who are "worse off." This last issue is always a factor when the market comes into play with a social policy.

Vouchers also require a lot of oversight and are difficult to evaluate. As poor oversight and design can lead to an unnatural increase in demand, these challenges can also result in an escalation of service costs.

Highlights from the Group Discussion on Tax Expenditures and Vouchers

Key Issues

- Tax expenditures are not being overseen or evaluated well. Some participants argued that oversight could be done easily and that the Internal Revenue Service (IRS) could do better analyses of tax expenditures. Others felt that the problems with managing tax expenditures do not lie with the IRS, but with the people writing—and perpetually changing—tax laws and eligibility definitions.
- Tax expenditures can become very complicated because they fall under the jurisdiction of two congressional committees.
- Vouchers are more politically contentious than tax expenditures but easier to oversee because they specify an exact amount of aid.
- Both tools are difficult to modify or expunge once written into law because recipients treat them as entitlements.

The Challenge of Defining Tools

- The difficulty of defining tools, and whether defining tools was even a worthwhile exercise, was a persistent theme throughout the session. Pell Grants and Childcare Tax Credits arose as examples.
 - **Pell Grants.** Although named a “grant,” some participants felt this program should be named “Pell Voucher” because money is transferred directly to the college or university of the recipient’s choice. Moreover, because it is only used to fund college tuitions, it does not help low-income students needing assistance at vocational institutions.
 - **Childcare Tax Credit.** Since the childcare tax credit allows parents to choose day care services, one participant thought that the credit was more akin to a voucher.
- Some participants, however, felt that such discussions were a waste of energy because “tool choices” are not really a policy matter, but a political matter. When designing policy, the question—“What tool should

we use?”—rarely arises. Rather, the choice of tool is made politically, and then the question is simply, “How can we make it work?” As such, these participants felt that we must focus our energies on crafting better tax expenditures and vouchers. If money is going to be allocated, it needs to be knowledgeably allocated.

Grants

Moderator: Carl Stenberg, The University of Baltimore

Timothy Conlan, George Mason University

Grants are the oldest tool of indirect government and probably the most studied. A grant is defined as a gift. In terms of the characteristics used to describe tools, grants are relatively indirect, relatively non-coercive, and visible.

It is important to recognize that there is a great degree of variability among different types of grants. For example, grants vary in size as well as form (e.g., categorical and block). In fact, the different types of grants vary enough from one another that they may really constitute different tools.

It is difficult to measure the performance of grants on an individual basis. The research on the grant system as a whole indicates that the system is less effective than the individual grants which comprise it – i.e., the system of grants is less than the sum of its parts. Research indicates that the grant system has high legitimacy, poor equity, poor efficiency, variable effectiveness, and problematic accountability.

David Beam, Illinois Institute of Technology

A discussion about grants in the 1950s would not be very different from a discussion about grants today. The major difference is that today this discussion could parallel discussions about a range of other tools. Although grants are one of the oldest and most familiar tools, they now account for only eight percent of the total value of tools.

Government and public knowledge about this tool are good, as grants are offered by almost every department and functional area. Moreover, there is even knowledge about the grant system, as resources are now dedicated to cataloging information about all grants. Despite this information, knowledge of the strengths and limitations of this tool are not taken into account in program design. Moreover, the management capacity for this tool seems to be decreasing. Although there used to be numerous organizations involved in grant research and meetings on the subject, this is less common today. However, in comparison to the other tools, there are relatively good opportunities for students to learn about grants.

Over the years, there have been numerous recommendations as to how to improve the grant system. Suggestions have included developing coordination devices, creating a standard application, and relying more on block grants. However, as the criticism about grants has not changed much over the past several decades, these ideas may have little effect.

Highlights from the Group Discussion on Grants

Key Issues and Challenges

- Politics, the way that grants are implemented, and the context in which grants are utilized all affect how grants play out in reality.
- Precedent and politics, rather than performance, often drive decision-making.
- Because grants are often used to finance other tools, it is difficult to evaluate their effectiveness.
- When grants are bundled with other tools, clear tracking of accountability and good measurements of performance for particular funding streams are impossible.
- Determining the performance of grants is often problematic because the measurement criteria for many grants focus on activity level rather than outcomes.
- While grant-making decisions used to be made by governmental agencies, Congress is now earmarking grant dollars itself. It is important to consider what the result of this change will be in terms of program management and accountability.
- If the objective is to support specific jurisdictions, grants are a good tool choice because they can be targeted to particular areas.

The Grant System: Potential Improvements and Positive Developments

- To increase accountability, there should be clear outcome goals, measurements that focus on performance rather than compliance, and less paper work.
- The creation of government-wide performance plans with national goals and performance tracking could strengthen grant performance. However, some participants argued that this strategy may itself pose significant difficulties, as establishing agreed-upon, clearly articulated national goals may be impossible given political realities, differing priorities, and the states' different programs and regulations.
- To strengthen grant programs, more emphasis must be devoted to the "day-to-day" processes occurring within agencies. For instance, we need to determine how to most effectively manage, implement, and monitor these programs. We must also pay attention to the technologies we employ for these processes.
- Technological developments have made it possible to post information about grants and their outcomes on-line for public review.
- EPA's performance partnerships are a move in the right direction.
- The development of more case studies of grants could help practitioners learn how they can be more effective.

Contracts

Moderator: Jack Brock, General Accounting Office

Ruth DeHoog, University of North Carolina at Greenboro

One of the critical issues in this area is to design an appropriate process by which to select contractors. There are three common models for human service contracts. The traditional, "competitive model" takes an "arm's length approach" to contractors and is characterized by Requests for Proposals (RFPs), fairness, openness, equal access to information, and some degree of competition. The contract designers' most important role is to ensure that service specifications are carefully crafted. The alternative "negotiation model" is often used

once a government agency has worked with certain suppliers following a competitive process and is comfortable allowing its contractors to continue with a renegotiated agreement. In contrast to the traditional model's "arm's length approach," the "cooperative model" involves the contractors in a collaborative process. The success of this approach rests on the ability of both sides to be on an equal footing and in a trusting relationship. Critics of this model claim that there is less objectivity due to the cozy relationship between the contractor and the public agency.

Management issues are somewhat different in each of these models. For example, if services are contracted out through the competitive model, the purchasing officer and program offices may be in conflict. The negotiation model calls for the ability to monitor projects carefully to ensure that the service is beneficial and efficiently delivered. In the cooperative model, it may be difficult to dispense with long-term contractors, regardless of performance. Quite often political considerations emerge in these alternative models with pressures to select or continue favored contractors.

Capacity issues are important at the state and local levels in human services, since the public agencies often lack the money and resources needed to monitor and evaluate the services as they should. Therefore, most monitoring is actually self-reporting, and numbers may be "tweaked" by contractors who have an incentive to do so. Related to this is the issue of training and the education of public contracting officials. Although each of the three models requires a mix of somewhat different skills, key competencies include values and ethics, nonprofit management, budgeting, monitoring skills, sensitivity to client groups, and interpersonal skills, particularly conflict resolution.

Steve Kelman, Harvard University

To improve the contracting process, progress is needed in three areas: (1) conceptualizing the "make/buy" decision process, (2) organizing procurement, and (3) contract management. In terms of the "make/buy" decision, government agencies should contract out when a) the government can fairly well specify what performance it wants, and b) there is a fair amount of competition. The argument that contractors can provide skills that the government cannot should not be the only reason for contracting. A more persuasive argument is the "core competency" argument, which contends that organizations should do the things that they do well and contract out everything else.

In regard to procurement, government should become less "rule-bound," as this approach narrows their vision. Instead of promoting the idea that "once you have followed the rules, you have done your job," agencies should encourage contracting officials to think outside of the box. Because of individual examples of "fraud and abuse," however, a central challenge remains how to sustain and monitor this less rule-focused system.

For government to secure optimum results from contracting, contract management will need significant improvement. One key problem is that the job of contract manager has been designed in a way that makes it terrible and thankless. To attract good people, contract management should be made a management-level position and considered a core competency of government.

Highlights from the Group Discussion on Contracts

- Perhaps “contracts” as a tool is too big a concept. A narrower conception (e.g., social services contracts, goods and services contracts, etc.) could limit the amount of vagueness associated with the general contracting idea.
- Who should do monitoring at the local government level? Insiders may be seriously biased, but outsiders may not know the system they are monitoring very well.
- There was a strong argument not to contract out “inherently governmental” responsibilities, such as prisons. However, one participant questioned whether this concept was too narrow.
- Difficulties with contracting include changing contractors.
- Extensive contracting may increase the power of interest groups in influencing government spending decisions. Contractors will lobby for more money to support programs where they are contractors.
- Contracting could drain good people from government by offering them the chance to “wheel and deal” as contractors.

Appendix B: Speaker Biographies

MARK A. ABRAMSON

Mark A. Abramson is Executive Director of the *PricewaterhouseCoopers Endowment on the Business of Government*, a position he has held since July 1998. Prior to becoming Executive Director of the Endowment, Mr. Abramson served as Chairman of Leadership Inc. He is the series editor of the The PricewaterhouseCoopers Endowment Series on the Business of Government, published by Rowman & Littlefield Publishers and is the co-editor (with Joseph S. Wholey and Christopher Bellavita) of *Performance and Credibility: Developing Excellence in Public and Nonprofit Organizations*. Mr. Abramson holds an M.A. in Political Science from the Maxwell School of Citizenship and Public Affairs at Syracuse University, an M.A. in History from New York University, and a B.A. from Florida State University.

EUGENE BARDACH

Eugene Bardach is a Professor of Public Policy at the Goldman School of Public Policy, University of California Berkeley, where he teaches courses in Policy Analysis and in Public Management. He is the author of *The Implementation Game: What Happens After a Bill Becomes a Law* (MIT, 1977) and, with Robert A. Kagan, *Going by the Book: The Problem of Regulatory Unreasonableness* (Temple, 1982). Most recently, he has written *Getting Agencies to Work Together: The Practice and Theory of Managerial Craftsmanship* (Brookings, 1998). His *Practical Guide for Policy Analysis: The Eightfold Path to Effective Problem-Solving* (Chatham, 2000) is used by practitioners as well as by faculty and students.

DAVID R. BEAM

David R. Beam is Director of the Masters of Public Administration Program and Associate Professor of Political Science at Illinois Institute of Technology. Previously he held research positions with the U.S. Advisory Commission on Intergovernmental Relations (ACIR), the Naisbitt Group, Northern Illinois University, and United Airlines. His publications include the ACIR studies: *Categorical Grants: Their Role and Design* and *Improving Federal Grants Management*. Dr. Beam earned his Ph.D. in political science from Northern Illinois University.

JONATHAN D. BREUL

Jonathan D. Breul is the Senior Advisor to the Deputy Director for Management, U.S. Office of Management and Budget (OMB) in the Executive Office of the President. He serves as a principal advisor on the President's Management Agenda and also supports the Deputy Director in his role as chair of the President's Management Council. In addition, he serves as the U.S. delegate and Vice Chair of the Public Management Committee of the Organization for Economic Cooperation and Development. Previously, he was Chief of OMB's Evaluation and Planning Branch—which functioned as a “management consulting” team on critical public management problems, and developed the Government Performance and Results Act (GPRA). Mr. Breul holds a Bachelor of Arts degree from Colby College, received an M.P.A. from Northeastern University, and is an elected Fellow of the National Academy of Public Administration (NAPA).

JACK BROCK

Jack Brock is a Managing Director for the General Accounting Office (GAO). He is responsible for directing the work of the Acquisition and Sourcing Management team. Prior to his current assignment, Mr. Brock led GAO's information technology assessments for Defense, Treasury, Justice, and State. In that position, he had overall responsibility for computer security evaluations across government. Mr. Brock is a graduate of the LBJ School of Public Affairs at the University of Texas and the Program for Management Development from the Harvard Business School.

DAVID S. BRODER

David S. Broder is a national political correspondent reporting the political scene for *The Washington Post*. Mr. Broder was awarded the Pulitzer Prize in May 1973 for distinguished commentary and was named “Best Newspaper Political Reporter” by *Washington Journalism Review*. In addition, he has received numerous awards, including the White Burkett Miller Presidential Award in 1989, and the prestigious 4th Estate Award from the National Press Foundation in 1990, which also honored him with the Distinguished Contributions to Journalism Award in 1993. Before joining *The Washington Post* in 1966, Mr. Broder covered national politics for *The New York Times* (1965-66), *The Washington Star* (1960-65) and *Congressional Quarterly* (1955-60). Mr. Broder is a regular commentator on CNN's “Inside Politics,” and makes regular appearances on

NBC's "Meet the Press" and "Washington Week in Review" and has co-authored seven books, including most recently, *Democracy Derailed: Initiative Campaigns and the Power of Money* (Harcourt, 2000). He received his Bachelor's degree and an M.A. in Political Science from the University of Chicago, served two years in the U.S. Army, and began his newspaper career at the *Bloomington* (Ill.) *Pantagraph*. He has been a Fellow of the Institute of Politics of the John F. Kennedy School of Government at Harvard University and a Fellow of the Institute of Policy Sciences and Public Affairs at Duke University.

TIMOTHY B. CLARK

Timothy B. Clark is editor and president of *Government Executive*, a monthly magazine on management of the federal executive branch. The magazine circulates to 65,000 high-ranking civilian and military executives and managers. Mr. Clark has spent his career in journalism studying and writing about government. He is a founder of *National Journal*, the preeminent weekly magazine on politics and government. In the mid-70s, he founded *Empire State Report*, a monthly magazine about politics and government in New York. Mr. Clark is a graduate of Harvard University.

TIMOTHY J. CONLAN

Timothy J. Conlan is a Professor of Government and Politics at George Mason University. Prior to this he served as Assistant Staff Director of the Senate Subcommittee on Intergovernmental Relations and as a Senior Analyst with the Advisory Commission on Intergovernmental Relations. Professor Conlan is the author of several books, monographs, and articles in the areas of federalism, intergovernmental relations, and public policy making, including, most recently, *From New Federalism to Devolution* (Brookings, 1998). Dr. Conlan earned his B.A. in Political Science from the University of Chicago and his Ph.D. in Government from Harvard University.

PHILLIP COOPER

Phillip Cooper is the Gund Professor of Liberal Arts in the Department of Political Science at the University of Vermont. He received his M.A. and Ph.D. from the Maxwell School of Citizenship and Public Affairs of Syracuse University. He has taught at several universities, including the Nelson Rockefeller College of Public Affairs and Policy of the State University of New York at Albany, and the University of Kansas, with faculty

appointments in Public Administration, Political Science, Public Policy, and Law. He has served as Chair of the Department of Political Science at the State University of New York at Albany, Chair of the Department of Public Administration at the University of Kansas, and Director of the Master of Public Administration Program at the University of Vermont. Active in a variety of leading public administration professional associations and journal editorial boards, he was the first recipient of the Charles Levine Award given by the American Society for Public Administration and the National Association of Schools of Public Affairs and Administration. He is the author of numerous books and articles on public administration, public law, and public policy. Most recently and related to this conference, he is the author of the forthcoming *By Order of the President: The Use & Abuse of Executive Direct Action* (University Press of Kansas) and *Governing by Contract: Challenges and Opportunities for Public Managers* (CQ Press).

JOSEPH J. CORDES

Joseph J. Cordes teaches Policy and Economics classes at the George Washington University. He received his Ph.D. from the University of Wisconsin, Madison in 1977 and his academic specialization in economics is in the area of public economics and policy analysis. From 1989 to 1991 he was Deputy Assistant Director for Tax Analysis at the Congressional Budget Office. He is an Associate Scholar in the Center on Nonprofits and Philanthropy at the Urban Institute and a nonresident Senior Fellow of the Progress and Freedom Foundation, and has been a consultant to numerous government agencies. Professor Cordes is the co-editor of *Encyclopedia of Taxation and Policy* (Urban Institute Press, 1999), and *Democracy, Social Values and Public Policy* (Greenwood-Praeger, 1998) and has authored or co-authored over 50 chapters and articles on economics and public policy in books and in scholarly journals.

STANLEY J. CZERWINSKI

Stanley J. Czerwinski is the General Accounting Office's (GAO) Director for Housing and immediately prior to that, he served as the Associate Director for Housing and Community Development. Mr. Czerwinski joined the GAO in 1980 and spent his first 7 years in the Resources, Community, and Economic Development Division, where he was primarily responsible for reviews on housing and food assistance issues. In 1988, he became the Assistant to the Assistant Comptroller General for Operations, with responsibility for monitoring budgetary, operational, and staffing resource issues. Prior to com-

ing to GAO, Mr. Czerwinski worked at both the Congressional Research Service and the Congressional Budget Office. Mr. Czerwinski has an M.P.A. from the University of Massachusetts and a Bachelor's Degree from Wesleyan University. He has earned numerous GAO honors, including the rank of Meritorious Senior Executive and Meritorious and Client Service Awards.

RUTH H. DEHOOG

Ruth H. DeHoog is Professor of Political Science at the University of North Carolina at Greensboro. She wrote *Contracting Out for Human Services* (SUNY Press, 1985) and coauthored *The Politics of Dissatisfaction* (M.E. Sharpe, 1992), as well as book chapters and journal articles on urban administration, privatization, and public service delivery. Dr. DeHoog earned her Ph.D. in Political Science from Michigan State University.

G. EDWARD DESEVE

G. Edward DeSeve, former Deputy Director for Management of the U.S. Office of Management and Budget (OMB), has joined the University of Maryland School of Public Affairs as Professor of the Practice and Director of the School's Management, Finance and Leadership Program. Mr. DeSeve has held senior posts at all three levels of American government and in the private sector. He has served as Chief Financial Officer of the U.S. Department of Housing and Urban Development, Controller of OMB, and in 1997, he was appointed Deputy Director for Management at OMB, the highest management position in the federal government. Mr. DeSeve's ability to work across sectors led him most recently to KPMG Peat Marwick as a Partner and National Industry Director. He previously served as Management Director of Merrill Lynch Capital Markets, and has established and led several consulting firms, including Public Financial Management Incorporated, which provided technical assistance to more than a dozen states and localities. Mr. DeSeve made his mark on academia as a Senior Lecturer and Faculty Member at the University of Pennsylvania's Fels Center of Government. He holds an M.G.A. in Public Finance from the University of Pennsylvania, and a B. S. in Labor Economics from Cornell University.

RONALD J. FELDMAN

Ronald J. Feldman is an Assistant Vice President at the Federal Reserve Bank of Minneapolis. A former analyst at the Congressional Budget Office (CBO), he wrote CBO's *Controlling Losses of the Pension Benefit Guaranty Corporation*. He is also the author of the Federal Reserve Bank of Minneapolis's annual report essay *Fixing FDICIA: A Plan to Address the Too-Big-To-Fail Problem* and of *The Risks of and Risk Management for Government Insurance Programs* for the World Bank. Mr. Feldman holds an M.P.A. from the Maxwell School, Syracuse University.

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R. Scott Fosler is Visiting Professor at the University of Maryland School of Public Affairs, and Roger C. Lipitz Senior Fellow in the Center for Public Policy and Private Enterprise. From 1992 to 2000 he was President of the National Academy of Public Administration, a nonpartisan organization chartered by Congress to improve the structure, management, and performance of the American system of governance. His publications are numerous, including, most recently, *Working Better Together: How Government, Business, and Nonprofit Organizations Can Achieve Public Purposes through Cross-Sector Collaboration, Alliances and Partnerships*. Mr. Fosler holds a B.A. from Dickinson College and an M.P.A. from the Woodrow Wilson School of Public and International Affairs at Princeton University.

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Daniel Garcia-Diaz is a Senior Analyst in housing issues for the U.S. General Accounting Office. He has also worked in municipal finance at J.P. Morgan Securities, Inc. He is a graduate of Dartmouth College and holds an M.P.P. from Harvard University.

DAVID F. GARRISON

David F. Garrison is Vice President of the National Academy of Public Administration. Prior to joining the Academy, Mr. Garrison was a member of the senior staff in the Office of the Secretary at the U.S. Department of Health and Human Services during the Clinton Administration. Between 1993 and 2001, he held four positions: Counselor to the Deputy Secretary; Acting Director, Office for Civil Rights; Principal Deputy Assistant Secretary for Planning and Evaluation; and Deputy Director,

Office of Intergovernmental Affairs. Mr. Garrison holds degrees from Amherst College (B.A., 1965) and George Washington University National Law Center (J.D., 1968, and L.L.M., 1970).

STEPHEN GOLDSMITH

Stephen Goldsmith served two terms as Mayor of Indianapolis. Prior to his two terms as Mayor he was Marion County District Attorney for 13 years. Mr. Goldsmith is a Special Advisor to President George W. Bush on faith-based and not-for-profit initiatives and served as chief domestic policy advisor to the Bush campaign. Currently, he serves as Senior Vice President for Strategic Initiatives and e-Government with Affiliated Computer Services, Faculty Director for the Innovations in American Government program at Harvard's Kennedy School of Government, and as Chairman of the Corporation for National Service.

ROBERT GRAMLICH

Robert Gramlich is Economic Advisor to Chairman Wood of the Federal Energy Regulatory Commission. Mr. Gramlich has served as an Advisor on the Commission's restructuring of the electric industry on issues of market analysis, regulatory mechanisms, and industry structure. Mr. Gramlich was Senior Economist in the PJM Market Monitoring Unit where he analyzed the competitiveness and efficiency of emerging Mid-Atlantic power markets. Mr. Gramlich has an M.P.P. from UC Berkeley and a B.A. in Economics from Colby College.

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Margaret M. Hill is currently Senior Advisor for North American Linkages in the Policy Research Secretariat, part of the Government of Canada's Privy Council Office. She is a Visiting Professor at the School of Public Policy and Public Administration at Carleton University, where she teaches courses on environment policy, government regulation, and, this year, a new course on environment policy in North America. Ms. Hill's recent publications include *Changing the Rules: Canadian Regulatory Regimes and Institutions* (University of Toronto Press, 1999). She has published several book chapters and articles on the theory and practice of regulatory reform in Canada, the United States, and Britain. She has a Ph.D. in Policy Analysis and Public Administration from Carleton University, Ottawa, Canada.

CHRISTOPHER HOWARD

Christopher Howard is the David D. and Carolyn B. Wakefield Associate Professor of Government at the College of William and Mary. He is the author of *The Hidden Welfare State: Tax Expenditures and Social Policy in the United States* (Princeton University Press, 1997), as well as articles in the *Journal of Policy History*, *Political Science Quarterly*, *Public Administration Review*, *The American Prospect*, and other journals. He earned his Ph.D. in Political Science from the Massachusetts Institute of Technology.

STEVEN KELMAN

Steven Kelman is the Weatherhead Professor of Public Management at Harvard University's John F. Kennedy School of Government. A graduate of Harvard College, with a Ph.D. in Government from Harvard University, he is the author of many books and articles on the policymaking process and on improving the management of government organizations, including most recently, *Procurement and Public Management: The Fear of Discretion and the Quality of Government Performance and of Making Public Policy: A Hopeful View of American Government*. From 1993 through 1997, Dr. Kelman served as Administrator of the Office of Federal Procurement Policy in the Office of Management and Budget. During his tenure as Administrator, he played a lead role in the Clinton Administration's "reinventing government" effort. In 1996, he was elected a Fellow of the National Academy of Public Administration. He also sits on the Board of Directors of GTSI, Inc. as well as on the Board of Advisers of Imagitas, BenchmarkPortal, Inc., and Frictionless Commerce.

CHRISTOPHER K. LEMAN

Christopher K. Leman (Ph.D., political science, Harvard University) is a consultant based in Seattle, Washington. He has served as Resident Fellow at Resources for the Future, policy analyst at the U.S. Department of the Interior, and on the faculty of Brandeis University and the University of Washington. His writings have appeared in publications of the National Academy of Sciences, National Association of Regional Councils, the Urban Institute, and in many journals.

JOSEPH J. MINARIK

Joseph J. Minarik was appointed Director of Policy of the House Budget Committee following eight years as Associate Director

for Economic Policy at the Office of Management and Budget during the Clinton Administration. He has extensive experience in both economic research and public service. Before his service at the Office of Management and Budget, Dr. Minarik spent two years as the Executive Director for Policy and Chief Economist on the House Budget Committee. This followed two years as Executive Director of the Joint Economic Committee of the Congress. Prior to that, he spent five years at the Urban Institute as a Senior Research Associate, and two years as Deputy Assistant Director of the Tax Analysis Division of the Congressional Budget Office. Dr. Minarik has received three graduate degrees in economics from Yale University, a Ph.D., an M.Phil. and an M.A. Dr. Minarik received his B.A. in Economics from Georgetown University in 1971. In addition, Dr. Minarik has a long list of publications to his credit, including his most recent work, *Making America's Budget Policy: From the 1980s to the 1990s*.

RONALD C. MOE

Ronald C. Moe is currently the Specialist in Government Organization and Management with the Congressional Research Service of the Library of Congress. He received his doctorate in Public Law and Government from Columbia University in 1968. Prior to joining CRS in 1973, he served in various positions in the executive branch including Senior Policy Advisor to the Cost of Living Council in the Executive Office of the President. Over the years Dr. Moe has taught at various universities including Columbia University, City University of New York, and American University, and is presently a Fellow at the Center for the Study of American Government at Johns Hopkins University. He has written extensively and is a four-time recipient of the Louis Brownlow Award given by the American Society for Public Administration for the best article on public management to appear in the *Public Administration Review* that year. In 1992, the Secretary of State appointed Dr. Moe a Commissioner on the Department's Commission on Personnel, a Commission mandated by Congress. Since 1993, he has been a consultant to the OECD in Paris and is a Fellow of the National Academy of Public Administration.

ROBERT T. NAKAMURA

Robert T. Nakamura is Professor of Political Science and Public Affairs at the Rockefeller College of Public Affairs, State University of New York at Albany. He received his Ph.D. from the University of California, Berkeley. Professor Nakamura is the co-author of five books including *The Politics of Policy*

Implementation (with Frank Smallwood). He is currently working in three areas: revising for publication (with Thomas Church) a study of changes in the Superfund program intended to make it "faster, fairer, more efficient" and less controversial; a study of the public participation process mandated for power plant siting decisions in New York State (with David Markell); and consulting on legislative development and democratization projects for international assistance organizations.

ROBERT J. O'NEILL

Robert J. O'Neill, Jr. is president of the National Academy of Public Administration, and from May through September of 2001, Mr. O'Neill was on temporary assignment at the Office of Budget and Management as Counselor to the Director and Deputy Director on management issues. Prior to this position, Mr. O'Neill served as Fairfax County Executive between 1997 and 2000. In 2001, Mr. O'Neill received The Spirit of Public Service award—the highest award presented by The Maxwell School of Syracuse University. In 1996 he was the recipient of the prestigious National Public Service Award presented by the National Academy of Public Administration and the American Society for Public Administration. In the early 1980s, O'Neill was the Director of Management Consulting Services for the Virginia offices of Coopers & Lybrand, one of the former "big six" accounting firms. Mr. O'Neill has a Bachelor's Degree in Political Science from Old Dominion University and his M.P.A. from the Maxwell School of Citizenship and Public Affairs at Syracuse University. He is a graduate of the Executive Program of the Colgate Darden Graduate School of Business at the University of Virginia, and in 1999 he was awarded an honorary doctorate of Law from Old Dominion University.

SALLYANNE PAYTON

Sallyanne Payton is Professor of Law at the University of Michigan Law School. She has served as Chair of the Administrative Law Section of the Association of American Law Schools, and as a Public Member, and then Senior Fellow, of the Administrative Conference of the United States. She is a Fellow of the National Academy of Public Administration. Prior to joining the Michigan faculty she served as Staff Assistant to the President, Domestic Council, and as Chief Counsel of the Urban Mass Transportation Administration, U.S. Dept. of Transportation. She writes in the areas of administrative law, health law, and policy. She holds a B.A. and an LL.B. from Stanford University.

NEAL PEIRCE

Neal Peirce is a foremost writer, among American journalists, on metropolitan regions — their political and economic dynamics, their emerging national and global roles. With Curtis Johnson, he has co-authored the *Peirce Reports* on compelling issues of metropolitan futures for leading media in 20 regions across the nation (most recently the San Diego-Tijuana citistate area for *San Diego Magazine*, South Florida for the *Miami Herald*, *El Nuevo Herald* and *Fort Lauderdale Sun-Sentinel*, Kansas City for the *Kansas City Star*, and South Texas for the *San Antonio Express-News*. Known widely as a lecturer on regional, urban, federal system and community development issues, Mr. Peirce has been a familiar figure before civic, business, academic, and professional groups nationally. He has appeared on Meet the Press, the Today Show, National Public Radio, and local media across the country.

B. GUY PETERS

B. Guy Peters is the Maurice Falk Professor of American Government at the University of Pittsburgh and Senior Fellow, Institute for Public Management, University of Leuven (Belgium). Among his recent publications are *Institutional Theory in Political Science* (Pinter, 1999); *Governance, Politics and the State* (Macmillan, 2000); and *The Future of Governing*, 2nd ed. (2001). He holds a Ph.D. in Political Science from the Michigan State University.

PAUL L. POSNER

Paul L. Posner is Managing Director in the Strategic Issues group at GAO responsible for federal budget and intergovernmental policy issues. He is an Adjunct Professor in graduate public policy programs at Johns Hopkins, Georgetown and George Mason Universities and is the Chair of the Federalism Section of the American Political Science Association. He has published articles on federalism and public budgeting issues in academic journals and is the author of *The Politics of Unfunded Federal Mandates*, published by Georgetown University Press. He is a Fellow at the National Academy of Public Administration and received his Ph.D. in Political Science from Columbia University.

STEVEN REDBURN

Steve Redburn is Chief of the Housing Branch, Office of Management Budget, Executive Office of the President. He and

his staff support the President and his senior officials on all aspects of budget, policy, legislation, and regulations concerning the Department of Housing and Urban Development and other agencies and help the Administration coordinate the development of policy for housing and housing finance. He received his Ph.D. in Political Science from the University of North Carolina at Chapel Hill. He is the co-author of *Responding to America's Homeless* and other books on social policy. His latest book, co-edited with Terry Buss, is *Public Policies for Distressed Communities Revisited*, published in January 2002 by Lexington Books.

LESTER M. SALAMON

Lester M. Salamon is a Professor at The Johns Hopkins University and Director of the Johns Hopkins Center for Civil Society Studies. An expert on public management and the non-profit sector, Dr. Salamon previously served as the founding director of the Johns Hopkins Institute for Policy Studies, as the director of the Center for Governance and Management Research at The Urban Institute in Washington, D.C., and as Deputy Associate Director of the U.S. Office of Management and Budget. His recent books include: *The Tools Of Government: A Guide to the New Governance* (New York: Oxford University Press, 2002); *Global Civil Society: Dimensions of the Nonprofit Sector* (Johns Hopkins, 1999); *Defining the Nonprofit Sector* (Manchester University Press, 1997); *Partners in Public Service* (Johns Hopkins, 1995); and *Beyond Privatization: The Tools of Public Action* (Urban Institute Press, 1989). Dr. Salamon received his Ph.D. in Government from Harvard University.

ROBERT S. SEILER, JR.

Robert S. Seiler, Jr., is the Manager of Policy Analysis at the Office of Federal Housing Enterprise Oversight (OFHEO). He was previously a Senior Analyst with the Congressional Budget Office (CBO), where he specialized in analyzing and measuring the costs of federal credit programs and government-sponsored enterprises (GSEs). At CBO Mr. Seiler wrote several reports and analyses of federal credit assistance to support the single-family residential mortgage market, U.S. exports, infrastructure investment, and higher education. He also was a Senior Policy Analyst at OFHEO, where he wrote the analytical chapters in three of the agency's annual reports. Before first joining CBO, Mr. Seiler was the professional staff member responsible for housing finance issues and the credit budget at the Senate Budget Committee, worked for two members of the House of

Representatives, and worked in the private sector. He has a B.A. from the University of Virginia and an Master's in Social Work and Community Planning from the University of Maryland.

HANNAH SISTARE

Hannah Sistare is Executive Director of the new National Commission on Public Service. The Commission is chaired by former Federal Reserve Chairman Paul Volcker and was designed by the Center for Public Service at the Brookings Institution to focus attention on the need for comprehensive reform in the federal public service. From 1997 through 2001, Ms. Sistare was Staff Director and Counsel for U.S. Senator Fred Thompson on the Senate Governmental Affairs Committee. She has also held positions in the Executive Branch, private industry, and academia.

KATHRYN B. STACK

Kathryn B. Stack is Chief of the Education Branch, Office of Management and Budget, Executive Office of the President. Her branch oversees budget, policy, legislation, regulations, and management issues concerning the U.S. Department of Education. In 1999, Ms. Stack served for one year as Senior Advisor in the U.S. Department of Education's Office of Student Financial Assistance, helping to set up that organization as a Performance-based Organization as called for in the Higher Education Amendments of 1998. She is a graduate of Cornell University.

THOMAS H. STANTON

Thomas H. Stanton is a Washington, D.C., attorney. His practice relates to the capacity of public institutions to deliver services effectively, with specialties relating to government organization and design, implementation of federal programs, federal credit and benefits programs, and regulatory oversight. Mr. Stanton is Chair of the Standing Panel on Executive Organization and Management of the National Academy of Public Administration and a former member of the Senior Executive Service. He is a Fellow of the Center for Study of American Government at Johns Hopkins University and the author of a new book, *Government Sponsored Enterprises: Mercantilist Companies in the Modern World* (AEI Press, 2002). Mr. Stanton earned his M.A. at Yale University and a J.D. from the Harvard Law School.

CARL STENBERG, III

Carl Stenberg, III serves as Dean at the Yale Gordon College of Liberal Arts and Professor of Government and Public Administration. He received his Ph.D. from the State University of New York at Albany. Prior to his appointment as Dean, Dr. Stenberg served as Director of the Weldon Cooper Center for Public Service at the University of Virginia, where he also was a Distinguished Professor. He has served as Executive Director of the Council of State Governments and as Assistant Director of the U.S. Advisory Commission on Intergovernmental Relations. Dr. Stenberg is a former feature editor of the *Public Administration Review* and co-author of *America's Future Work Force: A Health and Education Policy Issues Handbook*. Dr. Stenberg is also past national president of the American Society for Public Administration. He is an elected Fellow in the National Academy of Public Administration and currently chairs the membership committee of the Board of Trustees. Dr. Stenberg's teaching interests are in intergovernmental administration, public management innovation, bureaucratic politics, and strategic planning.

C. EUGENE STEUERLE

C. Eugene Steuerle is a Senior Fellow at the Urban Institute. Earlier in his career he served in various positions in the Treasury Department from 1987 to 1989. Dr. Steuerle has published extensively as author, co-author, and editor of ten books, more than 150 reports and articles, and 50 Congressional testimonies or reports. Dr. Steuerle is currently President of the National Tax Association. Among many other positions, he chaired the 1999 Technical Panel advising Social Security on its methods and assumptions, was President of the National Economists Club Educational Foundation, was a Resident Fellow at the American Enterprise Institute and serves or has served as an advisor, consultant, or board member to or for the Congressional Budget Office, the General Accounting Office, the National Academy on Aging, the American Tax Policy Institute, the Joint Committee on Taxation, the Entitlement Commission, and the Capital Formation Subcouncil of the Competitiveness Policy Council.

RICHARD J. STILLMAN, II

Richard J. Stillman, II is a Professor of Public Administration at the Graduate School of Public Affairs, University of Colorado at Denver. He taught on the faculties of George Mason University and California State University-Bakersfield and is the author or

editor of several books including *The Rise of the City Manager* and *A Search for Public Administration*. His textbook, *Public Administration: Concepts and Cases, 7th ed.*, is used at over 400 universities and colleges. He was awarded the William E. and Frederick C. Mosher prize for his scholarship in the field and has been a NASA University Fellow, Public Administration Fellow, and Research Fellow at the Institute of Government Studies, University of California, Berkeley, and is elected fellow in the National Academy of Public Administration. In 1991, Dr. Stillman was the visiting Professor at Budapest University of Economic Sciences (Hungary). He has lectured at Erasmus University (The Netherlands), Germany's Postgraduate School of Administrative Sciences (Speyer, Germany), the National School of Public Administration (Beijing, The People's Republic of China), as well as CIDE in Mexico City. In August 1994, he delivered the Ransone Lectures at the University of Alabama, and his books have been translated into Chinese, Korean and Hungarian.

DAVID M. WALKER

David M. Walker became the seventh Comptroller General of the United States and began his 15-year term when he took his oath of office on November 9, 1998. As Comptroller General, Mr. Walker is the nation's chief accountability officer and the head of the General Accounting Office (GAO). The GAO helps the Congress maximize the performance and assure the accountability of the federal government for the benefit of the American people. Immediately prior to his appointment as Comptroller General, Mr. Walker was a partner and global managing director of Arthur Andersen LLP's human capital services practice and a member of the board of Arthur Andersen Financial Advisors, a registered investment advisor. He also served as a Public Trustee for Social Security and Medicare from 1990 to 1995 while he was a partner with Arthur Andersen. Prior to joining Arthur Andersen, Mr. Walker was Assistant Secretary of Labor for Pension and Welfare Benefit Programs and Acting Executive Director for the Pension Benefit Guaranty Corporation. His earlier technical, professional, and business experience was gained with Price Waterhouse, Coopers & Lybrand, and Source Services Corporation. Mr. Walker is a Certified Public Accountant. He has a B.S. in Accounting from Jacksonville University and a Senior Management in Government (SMG) Certificate in Public Policy from the John F. Kennedy School of Government at Harvard University.

RICHARD A. WEGMAN

Richard A. Wegman is a Partner in the law firm of Garvey, Schubert & Barer, a firm of 110 lawyers with offices in Seattle, Portland, Washington, D.C., and New York. During his service in the public sector, he served as Chief Counsel and Staff Director of the U.S. Senate Committee on Governmental Affairs where he focused on oversight and management of federal regulatory programs. He was also asked by President Carter to direct the work on the National Agenda for the Eighties, a blue ribbon panel of governors, university presidents, and corporate executives that developed recommendations for White House initiatives on environmental, energy, housing, and urban policy. Mr. Wegman graduated from Brown University with a B.A. in Applied Mathematics (1960), and from New York University's Graduate School of Arts and Sciences with an M.S. in Mathematics (1962). He received his J.D. from Harvard Law School in 1965.

THOMAS WEKO

Thomas Weko is a Senior Analyst in Education, Workforce, and Income Security at the U.S. General Accounting Office (GAO). He joined the staff of GAO in June 2001. Prior to this, he served as Associate Director for Policy at the Washington State Higher Education Coordinating Board (1998-2001). Mr. Weko served as a university faculty member for ten years, most recently at the University of Puget Sound, where he was an Associate Professor in the Department of Politics and Government. He received his Ph.D. in Political Science from the University of Minnesota, and served as a Research Fellow at the Brookings Institution.

Appendix C: Conference Participants

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