MANAGING IN THE FEDERAL GOVERNMENT

NEW CONCEPTS FOR A NEW ERA

BACKGROUND AND AN OVERVIEW ON:

REINVENTING GOVERNMENT

AND OTHER RECENT BOOKS ON MANAGEMENT

January 1993

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JAN 7 1992

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

MEMORANDUM

SUBJECT: Background information on Reinventing Government and other recent writing on management

FROM: John O'Brien
John O'Brien, Chief, QA&E Staff

TO: OHRM Division Directors
OHRM Program Managers
Human Resources Officers

With the arrival of new leadership in the Agency, I thought it would be helpful to provide an overview on the concepts and approaches to management which our new executives may use to guide programs and priorities. This booklet provides an overview on the most likely sources -- the experts and their books -- for the new management concepts.

There is one book, Reinventing Government by Osborne and Gaebler, which has been much quoted and referenced over the past several months, and I've concentrated on this book in the pages that follow by including an executive summary and three recent articles.

I hope you find the information in this booklet timely and useful.

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MANAGEMENT CONCEPTS AND THE NEW LEADERSHIP

As members of the HR community, we need to be well informed on the management concepts and assumptions by which the Agency's senior leadership will convey their priorities and directions. The Agency's new leadership will in due time make clear their specific management style and concepts. However, over the past year, there have been frequent references and discussions in the media concerning a specific book and a specific management concept which we anticipate will play a prominent role in the new leadership.

The book is: Reinventing Government: How the entrepreneurial spirit is transforming the public sector
by David Osborne and Ted Gaebler

The concept is: entrepreneurial government

This booklet provides an early snapshot on "entrepreneurial government" as described in Osborne and Gaebler's book, and in addition, provides snapshots on other concepts and books which we anticipate will play key roles in setting the management assumptions and priorities for the new leadership.

We present this information to provide the HR community with a preliminary overview and, thereby to make us better prepared to respond to the needs and priorities of the new leadership. In addition, in section 2. An Executive Summary, we highlight specific human resources issues including: a critique of civil service systems, a discussion of the China Lake Project, and views on job classification, training and promotions. We have organized this report from the general to the specific as follows:

- 1. SNAP SHOTS OF NEW CONCEPTS FOR THE NEW LEADERSHIP
  -- a brief description of Reinventing Government in the context of other books, concepts and individuals which we anticipate will be the most likely sources for the new management assumptions and priorities.

- 2. AN EXECUTIVE SUMMARY OF THE BOOK REINVENTING GOVERNMENT ---
  -- Major concepts from the book, specific human resources issues, definitions of "entrepreneurial government" and "the new paradigm."

- 3. TWO ARTICLES AND A BOOK REVIEW OF REINVENTING GOVERNMENT
  -- Critiques of the book, and comments on the application of "entrepreneurial government" in the federal sector.

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[source: Washington Post, Nov. 8, 1992]

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"The Aschauer Curve" by David Aschauer

Minding America's Business by Ira Magaziner & Robert Reich
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"The New Paradigm Group" -- Robert Shapiro

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[source: John O'Brien, QA&E with material from a review article by Jim Carr, EPA Institute in the OPM newsletter: Senior Executive Service, October 1992]

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"A Case for Reform" by James Fallows
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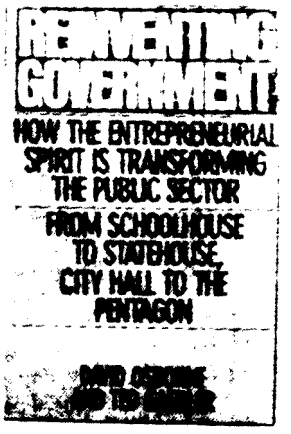
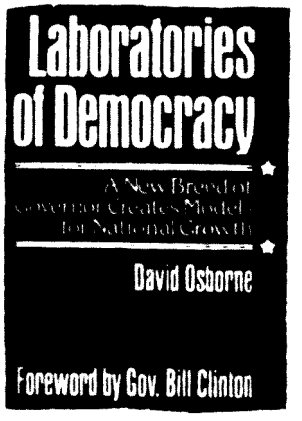
U.S. News & World Report, November 30, 1992

"The Promise to Transform the Government"
The Washington Post, December 14, 1992

1. SNAP SHOTS OF NEW CONCEPTS FOR THE NEW LEADERSHIP





David Osborne

Osborne, 41, a journalist turned expert on innovative government, has helped to shape the Clinton philosophy of doing more with less.

In Osborne's view, centralized, bureaucratic government no longer works. But state and local governments, short of funds, have made a virtue out of necessity—pioneering new, low-cost ideas that decentralize authority and foster partnerships between the public and private sectors.

In his book "Laboratories of Democracy," to which Clinton wrote the foreword, Osborne describes Clinton as a "new Democrat" who started his first term as governor of Arkansas as a classic, crusading liberal reformer and then discovered that such an approach did not work.

He wrote that Clinton in his last two terms as governor came to believe that economic growth must come before spending for social purposes, and that government must work closely with business.

He would double Clinton's pledge to reduce the federal bureaucracy by 100,000 workers in his first four-year term and would cut the budgets of "antiquated" departments such as Agriculture, Commerce and Housing and Urban Development by 6 percent a year over four years.

In his book "Reinventing Government," Osborne cites the grass-roots work in Minneapolis of citizen activist Ted Kolderie.

In the 1970s, Kolderie and others began agitating for competition within the public school system and eventually pushed through a bill allowing local public school teachers to create their own schools.

Kolderie is now drawing up an education proposal for Clinton. "The traditional role of government is to give money and add regulations," said Kolderie.

"The trick is to connect presidential leadership to state legislatures through the governors."

Robert B. Reich

Reich, a member of the faculty of Harvard's John F. Kennedy School of Government, once said that he agrees with only 30 percent to 40 percent of the Progressive Policy Institute's positions, but added, "I'm glad the kettle is being stirred."

His book "The Work of Nations" has been read and underlined by Clinton, and he has become a leading authority on the competitiveness of the U.S. economy.

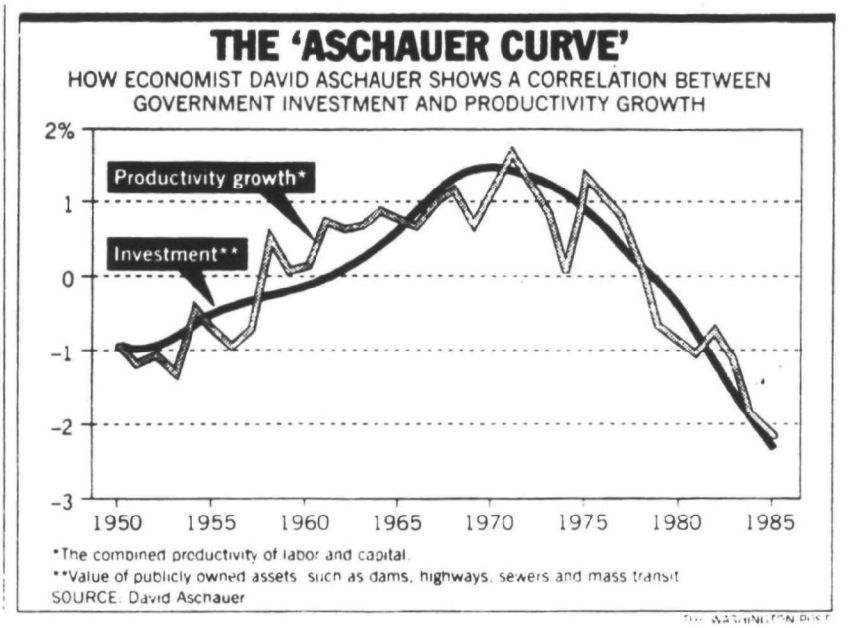
Reich writes in the book that the notion of an "American" corporation is steadily losing meaning. Whenever possible, he says, American-based multinational companies will move their manufacturing to the country that offers the best mix of cheap labor and high-quality production.

Reich argues that the best defense against that is government investment in American workers—through training and education—and in the transportation systems and telecommunications networks on which modern businesses rely.

Such investments, he argues, will encourage foreign companies to locate their most modern plants and research facilities in the United States.

"Government policy makers should be less interested in helping American-owned companies earn hefty profits from new technologies than in helping Americans become technologically sophisticated," according to Reich.

Reich argues that it is permissible for the federal government to go even deeper in debt as long as the money is invested in people or infrastructure and the amount doesn't exceed the likely return.



David Aschauer

In September 1988, economist Aschauer published a paper for the Chicago Federal Reserve Bank that showed what he called "a distinct positive relationship" between U.S. public spending on infrastructure and the broad growth of U.S. productivity, after a number of factors were discounted.

Since then the "Aschauer curve" has been cited by many of those, such as Reich, who support major new initiatives by the Clinton administration to rebuild or upgrade the nation's transportation and telecommunications systems.

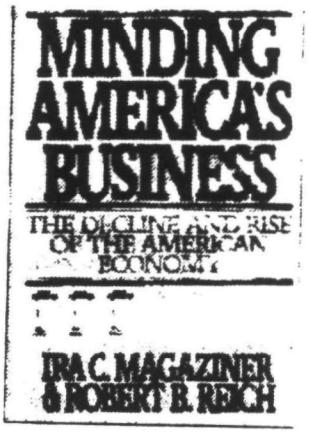
Sources say that Aschauer's findings, if correct, suggest that large investments now are justified even if they worsen the budget deficit in the short term. In the long term, the investments will bring in more tax revenue because the economy will grow faster.

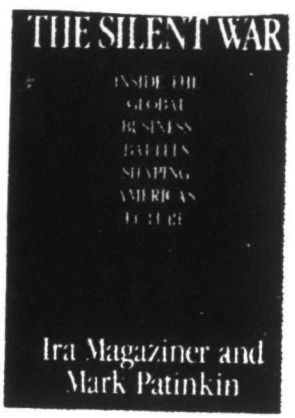
Aschauer calls his own findings "startling," and acknowledges that they have been questioned by economists at the Brookings Institution and other think tanks.

Without mentioning Aschauer directly, the Congressional Budget Office also has questioned his thesis.

Aschauer stresses that not all public investment will produce a big long-term return. For example, he opposes pork barrel highway projects, but strongly supports government investment on advanced technologies, such as "intelligent highways."

"These are exciting times for an empirical economist," he said. "Potentially, there's a grand experiment out there."





Ira C. Magaziner

Magaziner, 45, one of the most liberal and controversial of Clinton's inner circle of advisers, first met Clinton as a Rhodes scholar and worked on a variety of issues for the Clinton campaign.

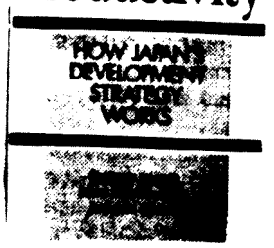
A Brown University student activist, Magaziner and other young graduates failed in a postgraduate attempt to transform Brockton, Mass., from a working-class community into a model city. In 1984, he suffered a bigger setback in a referendum when voters rejected 4 to 1 his plan to revive the Rhode Island economy.

Magaziner has coauthored two books on U.S. industrial competitiveness, and has churned out ideas about health care, the retraining of workers, the restructuring of corporations and the conversion of U.S. defense companies to developing commercial technologies.

In the latter role, he has offered suggestions to Rep. David McCurdy (D-Okla.), who has emerged as a leading advocate of "defense conversion" in Congress. The key goal of both McCurdy and Magaziner is to preserve the advanced skills of defense workers by keeping them at work on commercial ventures so that they could be quickly switched to new military projects if necessary. to this end, Magaziner would have the Pentagon make a 20-year commitment to buy commercially useful communications systems, short-haul aircraft, waste disposal systems and "intelligent highways" from private companies.

McCurdy and fellow members of the House Armed Services Committee have stopped short of accepting the proposal, but have recommended a long-term plan in which the Pentagon would finance research and development by defense and nondefense companies in energy, transportation, environment, communications and other promising commercial fields.

Politics and Productivity



Laura D'Andrea Tyson

Tyson, a professor at the University of California at Berkeley, wants a closer partnership in technology between U.S. government and business to stave off Japanese and European rivals.

It is a notion that has supporters throughout the Clinton camp, beginning with the president-elect.

"We need to have some place inside the government to monitor competitive trends in key industries around the world and the U.S. position in these industries," Tyson said.

It could be an existing agency or something new such as Clinton's proposed Economic Security Council. In either case, she said, it must be an agency that keeps score, reporting which industries are doing well.

Robert Shapiro

Shapiro, 42, is a leading force in the Progressive Policy Institute, which some believe could become as influential in a Clinton administration as the conservative Heritage Foundation was in the Reagan years.

The institute is the research and policy arm of the Democratic Leadership Council (DLC), a group of elected officials who banded together in the mid-1980s to counter the supply-side theories of the Reagan administration. Clinton chaired the group at one time.

Shapiro is a member of something called The New Paradigm Group, which has a Republican member and favors a free-market, anti-bureaucratic approach to public policy.

Some Democrats consider his views heretical, but the DLC's more moderate positions have been reflected in Clinton's frequently voiced support for U.S. technology and business competitiveness.

On the deficit, Shapiro is a hawk who would only allow it to grow if personal incomes of Americans were growing at a similar rate.

"The deficit absorbs the energy and the arguments for new initiatives like a black hole, an enormous gravitational force," said Shapiro.

"We have to pull ourselves out of that gravitational field."

He stresses that any fiscal stimulus must be balanced by concern for the deficit.

Robert Solow

Some people who know Nobel Prize-winning economist Solow were surprised when a few months ago he endorsed the Clinton economic plan, which many said would make the federal deficit worse by spending more money on new programs than could be offset by taxes or other savings.

The MIT economist had signaled his contempt for President Bush with a sarcastic comment about the "read my lips, no new taxes" pledge. Solow said he could read Bush's lips but he doubted they were connected to a brain.

Many people took that as an attack on the fiscal irresponsibility that has produced the nation's huge deficit. But earlier in the year, Solow, joined by Nobel laureate economist James Tobin and others, urged the Bush administration to give the economy a shot in the arm with more government spending, even if it meant increasing the federal budget deficit in the short run.

Then, at a press briefing this fall, Solow endorsed Clinton's focus on public investment as the key to accelerating growth.

Solow, however, remains skeptical of claims of economists known as "growth theorists," who claim that government investment in training, education and infrastructure can increase the economy's output.

Some argue that deficit spending can push the economy close to its potential. But many economists contend that is not true for the United States today.

Because of the huge budget deficit, they say, government borrowing takes away from the pool of capital that would otherwise be used by the private sector to finance its investments.

But Solow and others say that the economy is so weak that the government has to step in to get things moving.

REINVENTING GOVERNMENT

HOW THE ENTREPRENEURIAL SPIRIT IS TRANSFORMING THE PUBLIC SECTOR

FROM SCHOOLHOUSE TO STATEHOUSE, CITY HALL TO THE PENTAGON

DAVID OSBORNE
AND TED GAEBLER

2. AN EXECUTIVE SUMMARY OF REINVENTING GOVERNMENT

A NEW APPROACH TO GOVERNMENT

Over the past decade, governments at all levels in the United States have faced a wide range of problems and challenges, including tighter budgets, a shrinking tax base, rising citizen expectations and declining government resources. The responses to these challenges are varied, but the most effective responses share common elements, and viewed from a broad perspective, they reflect a new approach to government called entrepreneurial government. Osborne and Gaebler have examined those governments in the U.S. which have successfully met the new challenges, and from this examination they have developed 10 key principles which explain successful government. These 10 principles serve, in turn, as a blueprint for citizens and officials who would make their government better, and as benchmarks to gauge their success.

Taken as whole, the 10 principles of organizing and operating government, define the concept of:

Entrepreneurial government

"Entrepreneurial government" is characterized by Osborne and Gaebler as an approach to governing that stresses the importance of "steering" over "rowing". Officials "steer" government toward the goals desired by citizens by leveraging the powers of market forces, incentives, creative financing, improved accounting systems and other innovations. In the past, and unfortunately today as well, governments have concentrated on "rowing"-- determining a need such as public housing, job creation, or police protection-- and then creating bureaucracies, with complex rules, regulations and controls to serve that need. Today this model, or "paradigm" of government must be changed and replaced by "entrepreneurial government." An "entrepreneurial government" concentrates on "steering" the varied resources of government, private industry, and voluntary organizations toward efficient solutions that meet citizen needs and solve community problems. The 10 key principles of "entrepreneurial government" are:

1. Catalytic government -- using the public, private, and voluntary sectors to solve community problems by using methods like seed money grants, public-service partnerships, and vouchers.

2. Community-owned government -- empowering citizens rather than the bureaucracy to solve problems. For example, encouraging and supporting the tenants in a Metro DC public housing project to buy their apartments.

3. Competitive government -- promoting competition between service providers both inside and outside government. Example: New York City's Sanitation Department operates a huge fleet of trucks with maintenance work performed at city and private repair shops. To spur competition, and gain savings, management posted in each city shop a chart for all workers to see which compared the cost of maintenance in their city shop with the cost in an equivalent private shop.

4. Mission driven government -- the mission drives the organization rather than rules and regulations. Example: the Navy's China Lake Experiment which freed managers of traditional personnel regs and allowed greater discretion in promoting and rewarding subordinates.

5. Results oriented government -- measuring government effectiveness not just by inputs (money, manhours, equipment), but also by outcomes. For example, the federal Jobs Training Partnership Act which uses performance contracts in which vendors are paid according to the number of trainees placed in jobs, not just the number trained.

6. Customer-driven government -- offering choices to clients-- for example, choices between schools, training programs, and housing. The World War II era G.I. Bill was an enormously successful example of "customer" choice, because veterans could choose almost any college, rather than having government dictate.

7. Enterprising Government -- not just spending money, but earning money thorough user fees, investments, and enterprise, and using these earnings to offer new services, or reduce the cost of existing services. In Chicago the city contracted for towing abandoned cars and now receives $25 per car or $2 million a year from contractors.

8. Anticipatory Government -- attacking problems before they emerge rather providing services to mitigate problems after they arrive. An example: EPA's approach to pollution prevention which concentrates on stopping pollution at the source, and pollution controls which emphasize recyclable materials.

9. Decentralized Government -- authority is decentralized to make bureaucrats more responsible and more efficient because they have more localized power and more job satisfaction. TQM is a method to decentralize. In addition, General Creech and his turn-around of the US Air Force Tactical Air Command relied on decentralizing and delegating authority down the chain.

10. Market oriented government -- using market mechanisms to price services, create efficiencies, trim bureaucracy, save money. For example: the Washington DC Metro system pricing

fares at higher rates during rush hour in order to spread out demand.

THE PRE-CONDITIONS NEEDED TO IMPLEMENT ENTREPRENEURIAL GOVERNMENT

Osborne & Gaebler specify certain pre-conditions that are needed before "entrepreneurial government" can be implemented. They state that at least 4 of the 8 conditions listed below are needed to implement an entrepreneurial approach:

1. A crisis -- necessity becomes the mother of invention. The most common form of crisis is a fiscal crisis. When no crisis is present "imaginative leaders sometimes create one."

2. Leadership -- Nothing is more important. Typical leaders: a mayor, governor, or president. Important characteristic: the ability to "champion and protect those ... who are willing to risk change."

3. Continuity of leadership -- key leaders must stay the course, or else their organization will not take the risk of reinventing itself.

4. A healthy infrastructure -- defined as the informal network of civic commitment where citizens, volunteer groups, business and media are committed to the public welfare.

5. Shared vision and goals -- a consensus on basic goals. Entrepreneurial leaders rally the community to their vision and goals.

6. Trust -- all sectors of the community trust each other: e.g. the mayor, union, business leaders, city council.

7. Outside resources -- most organizations embarking on change need outside help in the form of money, expertise or political support.

8. Models to follow -- institutions take great comfort when they can see what they are trying to create already in operation somewhere else. Models provide institutions with the conviction that change is attainable.

THE "CRISIS" OF GOVERNMENT TODAY AND THE NEED FOR A "NEW PARADIGM"

Osborne & Gaebler consider most government organizations at all levels in the U.S. in a "crisis" primarily because government is following an obsolete model or "paradigm" that does not meet the needs and desires of citizens. What's needed is a "new paradigm", a new way of regarding the relationship between citizens, government, and the services government delivers.

The present day model or "paradigm" of government was set in place from 1900 through 1940. During this period, from the Progressive Era to the New Deal, a model of government evolved which functioned primarily to provide "services" for an emerging industrial economy. When the public or voters desired government to meet a common need, then government supplied, sometimes efficiently sometimes wastefully, the "service" to fulfill that need-- e.g. building and repairing public roads, bringing electricity to the farmlands, feeding the homeless.

But, at the beginning of this period, around 1900, government "service" organizations often suffered from endemic waste and fraud. To attack this weakness, the Progressives and their allies helped to legislate and implement public accounting and budgeting systems, competitive contracting requirements, and civil service systems. The central purpose of these innovations was to provide limits and controls on politicians and bureaucrats in the expenditure of public resources. The controls were exercised through complicated systems of rules and regulations to ensure equity, guard against fraud, and provide detailed documentation for inspectors, and the public at large.

The Progressives' prescription for good government succeeded. The Progressives' control systems have largely eliminated the pervasive waste and fraud which was common weakness at the turn of the century. Their "paradigm" of government became the dominant view for the next 60 years: large bureaucracies dispensing "services" to citizens, creating new bureaucracies as new needs were discovered.

However, in the 1990s, the complex rules, regulations and limitations of the Progressive era have become the deadweight and inhibitors that prevent politicians and civil servants from responding quickly and efficiently to the challenges of today. Governments must become more than just "service" providers because the "services" citizens desire are too diverse and citizen needs are too varied to be satisfied by large bureaucracies.

The "new paradigm" of government which is needed to today is a concept of government in which all sectors of the community -- government, private, and voluntary -- are engaged in the solution of common problems. Osborne and Gaebler write: "The central failure of government today is one of <u>means</u> not of <u>ends</u>." For the authors "entrepreneurial government" provides a new <u>means</u> for meeting the traditional ends and common needs of a community, while the "new paradigm" provides a new <u>concept</u> to inspire all sectors of the community toward a new vision of government.

SPECIFIC HUMAN RESOURCES ISSUES CITED BY OSBORNE & GAEBLER

The authors discuss many examples of innovative management and government systems. They specifically discuss civil service systems, since increasing the efficiency of government must include increasing the efficiency of government workers, and especially the means to manage the workforce. Specific citations concerned with human resources systems are as follows:

- Government personnel systems generally
  Most of today's civil service systems are derived from the Federal Civil Service Act of 1883. Fine for its time, but an obsolete guide for today -- "Designed for a government of clerks, civil service became a straitjacket in an era of knowledge workers."

- Hiring
  The hiring process is slow and rule bound. The authors' "favorite horror story": the Michigan State pension fund has to creatively invest $20 billion, but it "is expected to hire venture capitalists from those who score well on the civil service exam."

- Promotions
  Seldom related to performance, and controlled more by the personnel office than the manager.

- Firing
  So time consuming, tedious, and complicated few managers ever make the attempt.

- Formal reduction in force
  Inefficient and illogical: "Typically, layoffs comb out the younger, eager employees and leave behind the deadwood--in jobs they neither know nor want."

- Does a transition to "entrepreneurial government" require layoffs?
  "We have found that the transition can be managed without significant layoffs..." The transition will create new organizations and changes to the traditional mission of government which in turn may require lower staff levels, but these lower levels can generally be met through attrition and reassignments.

- Classification
  Complicated, tedious, and time consuming.

- Training and Development

  "No one wants poorly trained employees making important decisions, yet few governments spend much on training." Decentralizing is one of the 10 key elements of "entrepreneurial government" but management must assure that employees are well trained to prepared them for broader roles, and to demonstrate concern for their professional development.

- The China Lake Experiment -- a qualified success

  The 1978 Civil Service Reform Act permitted demonstration projects such as the China Lake Experiment which "revolutionized the personnel system" at the Naval Weapons Center, China Lake, California. At China Lake the complicated federal classification system was replaced by a limited number of pay bands, allowing managers greater flexibility to hire, and reward good performance. The Reagan Administration insisted that the China Lake Experiment be "cost neutral", and thereby weakened its effectiveness. Nonetheless, China Lake "shows the way toward a modern personnel system."

The Atlantic

A Case for Reform

by James Fallows

REINVENTING GOVERNMENT
How the Entrepreneurial
Spirit Is Transforming the Public
Sector, From Schoolhouse to
Statehouse, City Hall to
the Pentagon
by David Osborne and Ted Gaebler.
Addison Wesley, $22.95

JAMES FALLOWS ("A Case for Reform") is *The Atlantic*'s Washington editor and the author of *National Defense* (1981) and *More Like Us* (1989). Fallows is writing a book about the future of East Asia.

Books

THIS BOOK may turn out to be enormously influential. Ten years ago every businessman in America seemed to be reading *In Search of Excellence*, by Thomas Peters and Robert Waterman. I doubt that *Reinventing Government* will enjoy the same runaway commercial success; its intended audience—politicians and government managers—is not quite as large or as well funded as Peters and Waterman's was. But in spirit, approach, and general élan, the two projects are quite similar. *In Search of Excellence* examined the most successful U.S. corporations to find out what traits they shared, especially traits of corporate culture. *Reinventing Government* examines state and local governments, plus a few federal bureaucracies, to find out what constitutes governmental success and to see how the lessons of success could be applied where governments now fail.

David Osborne (who has written occasionally for *The Atlantic*) has spent much of the past decade studying state and local governments. His previous book, *Laboratories of Democracy*, which described innovation at the state level, was a warm-up for this one. Ted Gaebler has been a city manager in several places, most recently Visalia, California. The two maintain a studiously nonpartisan pose, and the book's jacket has a carefully balanced set of blurbs from Republican and Democratic officials. William Weld, the Republican governor of Massachusetts, says that the book will be "required reading in the Weld administration." Bill Clinton says more expansively that it "should be read by every elected official in America." Osborne has been a campaign adviser to Clinton in this year's presidential race, and at one stage he served as a surrogate for Clinton. (In January, when Gennifer Flowers made her allegations concerning Clinton, Osborne was pitted against the New York gossip columnist Cindy Adams on the television show *Larry King Live*. It was up to that point the most bizarre pairing of the campaign, as the tweedy, staid-seeming Osborne had to discuss the nuances of the "love nest" with a woman who exclaimed that the allegations might be good for Clinton because being a "great lover" is "part of the presidential résumé.")

If Clinton—or, for that matter, Weld—should become President, the Osborne-Gaebler message would have obvious importance. Even without top-down support, it has already attracted a cult-like following in state and local governments. Moreover, the impact of the book's argument is almost completely positive. If governments throughout the country ran the way this book suggests, the United States would be a happier and better-governed place. Considered as an instrument of political reform, therefore, *Reinventing Government* deserves attention and praise—even though considered strictly as a book it leaves me quite critical and wary.

OSBORNE AND Gaebler's initial achievement is to stand on an unfamiliar side of a great political divide. This is the divide that separates theory from practice, politics from governance. It is the gap between the government's intentions, as reflected in speeches and six-point plans, and its effect, as reflected in what agencies and bureaucrats do all day. Virtually all of American journalism is focused on the intentions side of this divide—on the struggle to pass a bill, win an election, confirm a nominee. When we read about the effect side, it's usually because of an outright scandal, such as the S&L collapse. Journalists are uncomfortable trying to make subjective judgments about whether a program has worked well or poorly, and they often find the whole subject of implementation boring.

The division between intentions and effect creates a class division among politicians. Senators can remain almost completely on the intentions side. They tell us their plans for solving this or that problem, which usually means the legislation they would support, but they are rarely responsible for carrying plans out. Governors of very large states—in practice, only New York and California—can get honorary membership in the intentions club and be excused from talking much about

implementation Ronald Reagan was able to rise above the workaday details of the state government in Sacramento, as he later did with the national government in Washington Mario Cuomo's struggles with the New York state government have been portrayed, by Cuomo and a sympathetic press, as a lamentable nuisance that has kept him from talking about the big picture

Osborne and Gaebler concentrate exclusively on the delivery end of government, although their findings naturally have implications for how laws should be drafted in the future Their most significant accomplishment is to integrate many hundreds of examples into a basically new concept of how government should function. This concept is organized into ten chapters, reflecting the ten operating principles that distinguish a new "entrepreneurial" form of government But they all seem to be corollaries of one central principle· Government should use incentives, so that people want to do certain things, rather than using rules and regulations that force people to comply

This is also the main idea of the New Paradigm movement, an on-again-off-again bipartisan effort to rethink government. The Old Paradigm, in this view, was born almost a century ago, during the Progressive era, when "political reform" mainly meant government efforts to regulate the mighty business trusts, plus the breaking up of corrupt political machines. (Progressive reformers, like many New Paradigmists today, were from the "better class" of people, who looked balefully on the tawdry instincts of ordinary politicians.) The centralized regulatory approach got bigger and stronger through the New Deal, the Second World War, and the postwar welfare, entitlement, and national-security state Everyone in every party now agrees that the system is too big, costly, and cumbersome The New Paradigm argument is that the system can't be saved by doing more of the same, and that, contrary to Ronald Reagan's claims, it's not sensible simply to do less of the same The government must do something different—which brings us back to this book

Osborne and Gaebler say that by using more incentives and fewer regulations, the government can apply the automatic-feedback mechanisms of the market to its own operations Incentives are self-enforcing, if people can save money by changing their behavior, they usually change Regulations, by contrast, must be enforced You need inspectors to make sure that companies are complying, and internal inspectors to make sure that the regular inspectors have not been bribed. Osborne and Gaebler provide more illustrations, in more permutations, of the incentive-based approach than I can hint at here.

For example (although this is not included in the book), for nearly a generation the U S government has tried to save gasoline by dictating fuel-efficiency standards. Under the Energy Policy and Conservation Act of 1975, each manufacturer's fleet had to meet a steadily rising "corporate average fuel economy" level· 20 miles per gallon in 1980, 27.5 miles per gallon by 1985. This is, in effect, the King Canute approach to conservation: the sovereign orders the cars to become more efficient But by the mid-1980s, the price of gasoline was dropping—which left manufacturers with no economic incentive to invest in expensive new engine technology and customers no incentive to buy expensive new fuel-efficient cars. The law did, however, give manufacturers a powerful incentive to lobby Congress and the Department of Transportation, in hopes of overturning the law or postponing the deadlines.

The incentive approach would be simply to raise the tax on gasoline. In the short run that would help cover some of the real cost to the nation of using gas—the environmental impact, the effect on the trade balance (imported oil now accounts for at least half the trade deficit), the need or temptation to fight wars in the Middle East. In the longer run it would transform the car companies and the American public into natural allies in the struggle to create more-efficient cars. When gasoline costs three to four dollars a gallon, as it does in most other First World countries, people find ways to conserve. The same principle applies to other forms of conservation. You see many fewer bottles on the roadside in states with heavy bottle-deposit fees than in states with strict anti-littering laws

Much of the book is about the internal mechanics of bureaucratic operation, and it shows great canniness about how regulations and incentives really work. Here a memorable illustration concerns what *The Washington Monthly* magazine, in a pioneering article on the subject twenty years ago, called "The Spring Spending Spree." As a government agency nears the end of a fiscal year (which used to occur in June for the federal government), it has every reason to spend every penny that's left in the budget. Under most budgeting systems it can't keep for the future the money it doesn't spend now—and in fact, underspending this year will usually mean a smaller budget next year, since obviously the department didn't need all the money it had received. The government as a whole may think it wants to reduce spending, but each component part has an incentive to do just the reverse. The answer, as Osborne and Gaebler sensibly explain, lies in changing the incentives, through multi-year budgets, more-flexible budgets that allow managers to move money from one account to another, even encouraging agencies to open moneymaking, businesslike operations.

Some of these reforms can bring new problems of their own For instance, the Customs Service is allowed to sell the boats and airplanes it confiscates from drug smugglers, and to use the proceeds for its own budget. Some lawyers have complained about an overzealous approach to confiscation. Osborne and Gaebler carefully sift through such consequences, as part of their generally sophisticated-sounding understanding of bureaucratic realities.

Rather than paraphrasing the entire book, let me simply say that it is full of sensible, specific recommendations. Politicians and government officials really should read and underline in it. But I'm not sure that many other people should.

ONE OBJECTION to this book is on the purely conceptual level: it offers a view of government that defines away some of our largest, most difficult political problems The book's working assumption is that the American public, through its government, always means to do the right thing, and that it's held back only by specific failures and barriers—faulty information, bad incentives A suspiciously large

number of supporting anecdotes are drawn from cities like Orlando, Phoenix, and Sunnyvale, California, in Silicon Valley. In such places the political world may operate as Osborne and Gaebler say, and the main drama of government may be the struggle to serve its people more efficiently. But in many other political arenas, from the local to the federal level, government works on more Hobbesian premises. It takes money from the politically weak and gives it to the politically strong. No one opposes the concept of efficiency, but in practice many parts of the government are designed to be nonefficient—that is, to preserve jobs. The major problem in federal politics is not that the government is perplexed about how to administer programs. It is that the public demands more in services and benefits than it is willing to pay for in taxes.

Osborne and Gaebler do not explicitly deny that any of these complications exist, but an implied faux optimism runs throughout the book: If only we knew all the facts, we'd never make these foolish mistakes. For instance, in illustrating the (unexceptionable) point that it's cheaper to prevent a problem than to solve it after it has happened, they mention that thousands of young black men are killed or wounded by gunfire every year. It would be more sensible and efficient, they suggest, to get rid of the guns than to build more jails. You don't say! Hey, maybe it would also be more sensible if the Arabs and Israelis made friends, rather than fighting so much! But perhaps there's something involved in the Middle East, and in America's reliance on guns, that goes beyond faulty cost-benefit analysis.

Osborne and Gaebler might properly respond that they're not trying to solve all the world's problems, it's enough to help solve a few, as their book will. But a sort of chirpiness in the book's outlook is connected to its most serious literary and intellectual defect. I trust the conclusions that the authors reach mainly because the conclusions conform to my experience as a reporter and in the government. But I don't trust all the evidence they present. This book sometimes seems to be the work of salesmen, not reporters or analysts.

The anecdotes that jam the pages have an unvarying narrative structure. A government program is failing. The administrator stops and thinks things over the entrepreneurial way. He takes the New Paradigm approach and—presto!—"the results speak for themselves" (a phrase that is worked to death in the book).

I don't doubt that something like this sequence happened—that the programs worked better after the change—just as I don't doubt that people who go to Dale Carnegie courses generally become better speakers. But the tone of the book often reminded me of an Amway or a Dale Carnegie sales pitch, or a TV infomercial. Every story is a success story. Before the change everything is bad. After the change everything is good. Characters have no function or nuance except to put the New Paradigm into effect. I respect Osborne and Gaebler as theorists about the government, but I do not trust them as reporters—that is, people who will observe critically and open-mindedly and tell you everything they have seen.

My suspicions are heightened by their handling of a case I happen to know about firsthand. Osborne and Gaebler present a long and 100 percent favorable profile of William Creech, a retired Air Force general who from 1978 to 1984 ran the Tactical Air Command, often called TAC. TAC was the fighter-plane branch of the Air Force. Before Creech took command, it had terrible operational and morale problems. Large numbers of planes sat in the hangars, for lack of spare parts. Pilots could not get enough flying hours to remain proficient. By the time Creech left, things looked much better for TAC. More planes were operational; more pilots were in the air. ("The results speak for themselves.")

Osborne and Gaebler present this as a clear-cut morality play. Before Creech arrived, TAC had been overcentralized—that is, Old Paradigm. Repair work was handled by one big, impersonal, centralized depot, which slowed things down and eroded morale. Creech believed in decentralization and incentives. He got rid of the central repair depot and made each squadron responsible for its own maintenance. He made sure that the head mechanic's name was painted on each plane's nose, right next to the pilot's, to symbolize their bond. He emphasized the intangible elements of pride: "He had every building in the TAC com-

mand given a fresh coat of paint, and he invested in carpets and furniture and new barracks." Most impressive of all, according to Osborne and Gaebler, "*TAC accomplished all of this with no new money, no more people, and a work force with less experience than the work force in place through the years of decline.*"

Osborne and Gaebler chose to italicize this passage in their book, which is unfortunate, because it is both flatly untrue and broadly misleading. TAC's turnaround had everything to do with money. The "years of decline" in the late 1970s were due principally to dishonest budgeting. The Air Force, along with the other services, chronically lowballed its estimates of how much a new fighter plane or missile would cost, in order to get more planes authorized. Inevitably the planes cost more than "expected," and the services made up the difference by raiding the operations-and-maintenance account. The result was the bad old TAC that Osborne and Gaebler describe, with too little fuel and too few spare parts.

Creech's tenure coincided with the early years of the Reagan boom in defense spending. The reforms Creech made were undoubtedly important, but so was the money. The TAC budget went up 44 percent during Creech's tenure, which included a big increase in the operations-and-maintenance account.

It would not have undermined Osborne and Gaebler's case to show that the story had complications. No matter how much money is involved, it still makes sense to decentralize authority, as Creech did. It would not have hurt to hint that the man himself might have had complicated motivations. Because Creech's story seems to fit their argument, Osborne and Gaebler present him as a one-dimensional hero ("a man who remains a legend within the U.S. Air Force, even in retirement"). They discuss Creech in a way that sounds as though they have talked with him personally—"Creech later confided," "Creech asked." I don't know whether they actually talked to Creech—their reference notes show that most of the quotations come from one of Creech's published speeches and a magazine profile—but if they did, they could hardly have avoided noticing the droll side of his emphasis on pride in appearance. The carpet in his office was so thick that one's shoes practically disappeared in it. His assistants were so ramrod-straight and wrinkle-free that it was easy to imagine the daily panic as they prepared to meet the general's eye.

Osborne and Gaebler's case would have been even more powerful if they'd been able to admit that real people, not earthbound saints, put it into effect. □

U.S. News & WORLD REPORT
NOVEMBER 30, 1992

Bureaucracy busters

BY DON L. BOROUGHS

Business is teaching government how to give taxpayers more for their money

Xerox senior manager WC Enmon spends his days training work teams in customer satisfaction, quality measurement and process redesign. That should come as no surprise. The Stamford, Conn., corporation has been using such total-quality concepts for 10 years to fight Japanese competition and win back market share, from a low of 10 3 percent of the U.S. copier market in 1985 to 17.6 percent in 1991. But Enmon is not working with Xerox employees; he is putting these corporate tools in the hands of the 226,000 civil servants and executives of the Texas state government in Austin. The Xerox-paid special adviser to Democratic Gov Ann Richards acknowledges that government cannot be run exactly as a business, but he believes the same techniques that helped improve copiers will better the efficiency and service of government. "We're talking about delivering service that meets the customers' needs," says Enmon. "It doesn't matter whether it's a widget or a driver's license."

From Fort Lauderdale, Fla., to Fort Collins, Colo., from Oregon to Ohio, state and local governments have begun seizing upon the business concepts that American companies began using in the 1980s to reform their own stifling corporate bureaucracies. The new buzzwords of the boardroom – empowerment, customer-driven, teamwork and especially total-quality management – are increasingly becoming the mantra in council chambers, statehouses and pockets of the federal bureaucracy. In the past six months alone, 1,000 inquiries have poured into the offices of the Public Sector Quality Improvement Network, a Madison, Wis., group that teaches business principles to government leaders. And the platforms of candidates in eight of the 12 gubernatorial elections this month had planks featuring entrepreneurial government.

EMPOWERING THE FRONT LINE

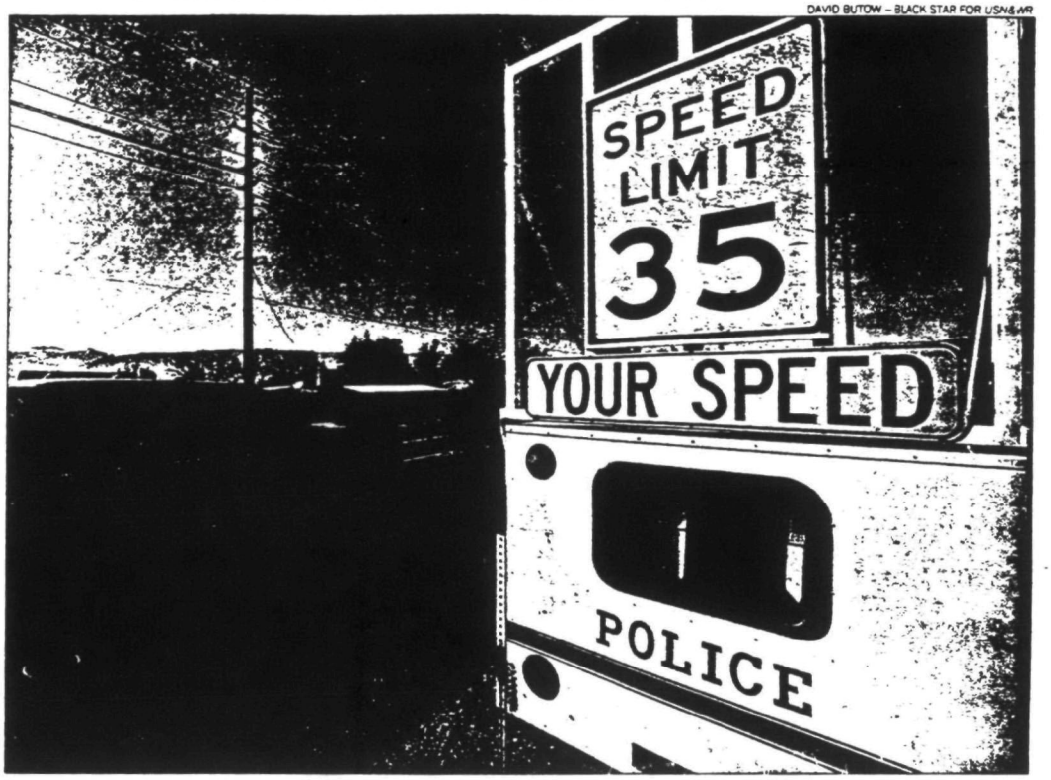
Building inspectors
Phoenix

CORPORATE TACTIC: *Moving decisions to lower levels for speed, efficiency*

PUT INTO PRACTICE: *Field inspectors have been trained to make building-code decisions that were once passed five levels up the chain of command. Decisions that used to take a week are made on the spot.*

Intensifying this trend was the publication this year of "Reinventing Government," by David Osborne and Ted Gaebler, which spotlights many of the cities, states and federal agencies where practices honed in the private sector are saving taxpayers' dollars and making the phrase "government work" a label of pride, not derision. "We still think of government as monopoly, bureaucracy, hierarchy," says Meryl Libbey of Harvard's Ken-

DAVID BUTOW – BLACK STAR FOR USN&WR



nedy School of Government, "but that's not the way it's happening among the more innovative local governments. There really is a sea change taking place."

Many observers believe the tide is about to sweep Washington as well. In Arkansas, Gov. Bill Clinton established what is widely considered the most advanced total-quality-management program in state government, enlisting the assistance of a local Eastman Kodak division. Quality executives in Little Rock brag that Clinton even left the campaign trail for a day to attend a meeting of his "quality team" in May. The president-elect has also consulted repeatedly with Osborne, whose book Clinton has praised (box, Page 55). While the next leader of the federal bureaucracy has been short on specific plans, his national economic strategy promises 3 percent administrative savings in every agency and a 100,000-position reduction in the bureaucracy, enhanced by a "shift from top-down bureaucracy to entrepreneurial government." Clinton could find an unexpected ally in House Republican Whip Newt Gingrich, who last week in a speech before Republican governors optimistically estimated that total-quality management could save 15 to 25 percent of the cost of government over five years.

Government waste. Falling profits woke business up to the need for change, but government is responding to tax-revolting voters who refuse to pay another dollar for less than a dollar's worth of service. Seventy percent of Americans believe that when something is run by the government, it is usually inefficient and wasteful, according to a recent Times Mirror poll. Business, too, has tired of paying more and getting less, which helps explain why such companies as Xerox and Kodak have been so eager to share their expertise. Florida Power & Light, the only American company to win Japan's coveted Deming Prize for quality, for example, is acting as a mentor for the Florida government's efforts to reform its bureaucracy. "Whatever we can do that helps the state," explains Dale Butler, an FP&L supervisor, "could have a tremendous impact on our tax costs."

The privatization movement has also stirred bureaucrats to the realization that their monopoly is no longer safe. A survey by the National Conference of State Legislatures found that nearly 60 percent of legislators now favor privatizing traditional government activities. The public sector is increasingly faced with the option of learning from business or being replaced by it. "Government has to change the way we operate," says Steve Burkett, city manager of Fort Collins. "We are going to have to become more productive."

To make real productivity gains, politicians are learning, corporations had to change their very shape. Executives became obsessed with flattening their organizations in the 1980s as they came to realize that information and decisions were slowed and garbled as they moved up and down each additional layer of management. The solution was to put more decisions in the hands of lower-level employees who can act on them quickly, while eliminating the need for several layers of supervisors. At Motorola's semiconductor division in Phoenix, for example, "empowered teams" now set their own production schedules as they prepare batches of specialized computer chips. Because such decisions have been implemented without passing through the chain of command, most Motorola units in Phoenix have eliminated at least two layers of management. Executives credit the improved productivity and responsiveness with helping reverse Motorola's slide in worldwide semiconductor market share, which has grown over the past two years, while revenues have risen $600 million.

Flattened. Across town, Phoenix Mayor Paul Johnson isn't much worried about market share, but he is equally enthusiastic about altering the hierarchical bureaucracy of city government. Phoenix has studied Motorola's success, and Johnson now boasts that the city serves more people today with 450 fewer employees than it had three years ago, largely because of cuts in senior- and middle-management positions. The mayor is particularly emphatic that decisions not get passed from desk to desk, a lesson he learned battling red

PLEASING THE CUSTOMER

Traffic police
Reno, Nev.

CORPORATE TACTIC: *Orienting work around customer desires*

PUT INTO PRACTICE: *Reno police found that simply issuing more tickets made residents angry without reducing accidents. After soliciting the advice of their "customers," traffic cops found more targeted and less offensive ways to control traffic, such as this speed-monitoring sign. Citizens are happier, and accidents are falling—down 20 percent in the first half of 1992.*

SCOTT GOLDSMITH FOR USN&WR

tape as the owner of a local construction firm.

In the past, for example, when Phoenix building inspectors came across uncertain situations that required them to interpret the building code, they would routinely refer the question up the chain of command to an assistant director, five layers above. Developers would have to put parts of a construction project on hold while waiting for a decision, which was usually based on the advice of the inspector anyway. Today, inspectors make similar decisions on the spot, or refer them to their immediate supervisors, saving developers tens of thousands of dollars. Such improvements have led to a drop in customer complaints at the Development Services Department, despite a 23 percent reduction in staff.

In most government agencies, the number of complaints coming over the transom is not followed very closely, but a new vanguard of entrepreneurial governments is taking up the customer revolution begun by corporate America in the early 1980s. In Phoenix, every department has conducted customer focus groups in the past six months. The city of Fort Lauderdale hopes to polish its image by putting parking enforcers, who often deal with irate tourists, through customer training. Fort Collins annually sends out surveys to 1,000 of its citizens. Says City Manager Burkett, "We can have all kinds of data about how great our library is, but if our customers think it's lousy, we're not achieving our goal."

Productive police. If the Reno, Nev., Police Department had been interested in customer service in the early 1980s, it would have found an ideal model close at hand. Harrah's Casino Hotels was then developing what is perhaps the most extensive customer-service data collection system in its industry. Nearly 2,000 visitors are surveyed by phone each year after returning home from Harrah's, while thousands more are interviewed on site. The results are tracked monthly. But the Reno police were more interested in writing tickets than reading surveys. Accidents rose in the early and mid-1980s. Reno cops, armed with 21 new radar units, more than doubled the number of traffic citations. But the accident rate refused to budge, and in 1986 and 1987 angry citizens turned down two ballot-box proposals that would have increased police funding.

With some advice from Harrah's, Reno police have begun listening to their customers. More than a thousand citizens are surveyed each year by telephone. As a result of their advice, many intersections have been improved. Police are no longer encouraged to write tickets in random locations, instead targeting sites with large numbers of accidents or customer traffic complaints. Today, 9 of 10 Reno citizens approve of the department, up from 4 of 10 in 1988. And though ticketing is down, the accident rate fell 20 percent in the first six months of 1992.

CUTTING WASTE FROM THE PROCESS

Tree-trimming crews Cleveland

CORPORATE TACTIC: *Redesigning the work process in search of efficiencies*

PUT INTO PRACTICE: *When business consultants examined the way Cleveland cut trees, they found crews spending almost as much time driving from site to site, stuck in traffic jams and waiting at the gasoline pump as they spent trimming trees. The problem was not laziness but organization. With a better schedule and division of labor, productivity rose more than 40 percent.*

In their pursuit of satisfied customers, American companies in the 1980s sought out the teachings of W. Edwards Deming, the quality consultant many Japanese industrialists credit with their success. One of the key tenets of his philosophy of total-quality management is music to the ears of government workers weary of the stigma of the lazy bureaucrat: Of any problem with quality or efficiency, 85 percent or more lies within the process, not the people who work it. Bob Garda of McKinsey & Co. finds that 10 to 20 percent of the costs can be wrung out of a process—in business or government—by redesigning it. "We have good people in government trapped in bad systems," says Gaebler. "They have to go."

Out on a limb. The tree trimmers of the city of Cleveland would agree. For as long as anyone could remember, several tree crews had crisscrossed the city daily, pulled away from routine trimming tasks to handle emergency requests. When Garda studied their movements in the late 1980s, he found that they were actually working with trees only five hours of the day, spending much of the other three hours in traffic. Garda recommended that one crew be assigned to emergencies, while the others stick to their assigned trimming jobs all day. As a result of such changes, the department now services more trees with 18 people than it could in the past

with 27. Productivity has risen 43 percent while citizen complaints have fallen 63 percent.

In the front-running governments that are using Deming's total-quality management seriously, government workers themselves are finding ways to improve the efficiency of their work systems. Arkansas has sent more than 5,000 of its 32,000 employees—from Governor Clinton to garage mechanics—to 1½- to three-day training sessions where they are taught how to chart work processes, measure results and redesign for efficiency. One team of workers from the motor-vehicles office studied how to speed the turnaround of license-plate renewals, which were generating weekly complaints from citizens who were waiting up to three weeks for their certificates and decals. The team decided that rather than saving up renewal requests so that new registration certificates could be batch-printed on the weekend, they could simply attach computer-coded stickers to the old certificates as they arrived. All renewals are now mailed out within a day, while the department saves $10,000 a year on forms alone and even more on printing.

If Clinton promises to do for America what he has done for Arkansas, how large a revolution could he stir in the halls of the Washington bureaucracy? The new president may find himself too preoccupied with reviving the stagnant economy to make any early, bold moves toward creating a more entrepreneurial federal government. And if he does, he will find all manner of obstacles in his way. The federal bureaucracy is an organization far larger than General Motors and IBM combined, with a civil-service system rewarding a manager for running a bigger staff, not a more efficient one.

Nonetheless, at the Federal Quality Institute, an appendage of the Office of Personnel Management, the change in leadership has sparked hope. Director Don Mizaur, whose staff has spent five years as the federal government's principal cheerleader and catalyst for total-quality management, says that Washington is "not seeing the bottom-line, measurable results that some people expected." The private sector has turned in more impressive results, adds Mizaur, largely because in companies "these things are primarily led by the CEO." But expectations are rising once again in Washington; a new CEO is on his way from Little Rock to the White House. ■

THE WASHINGTON POST

THE FEDERAL PAGE

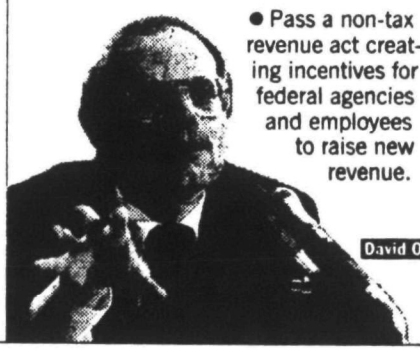
CLINTON'S DOMESTIC AGENDA

AREAS UNDER CONSIDERATION BY TRANSITION TEAM:

- ☑ Reinventing government
- ❑ National service
- ❑ Welfare overhaul
- ❑ Children and family issues
- ❑ Crime and justice
- ❑ Education and training
- ❑ Community development
- ❑ Housing and agriculture
- ❑ Civil rights and labor
- ❑ Campaign finance
- ❑ Technology and related issues

10 PROPOSALS FOR CLINTON FROM A FAVORITE THINK TANK

- Create a performance-based federal budget.
- Overhaul the civil service system.
- Create a labor-management council, negotiate a "grand bargain" with federal employee unions, and cut the bureaucracy through attrition by 200,000 jobs.
- Enact a "sunset" law and commission to eliminate federal programs and regulations.
- Pass a non-tax revenue act creating incentives for federal agencies and employees to raise new revenue.
- Create an "innovation fund" so that federal agencies could borrow for investments that would increase revenue or cut costs.
- Cut spending for designated departments such as Agriculture, Commerce and Housing and Urban Development by 6 percent annually for four years to force their transformation from "rowing" to "steering" organizations.
- Merge the Census Bureau and other appropriate statistical agencies into a new National Information Agency.
- Enact a truth-in-spending law that would force elected and appointed officials to confront the long-term implications of their decisions.
- Inject further competition into the delivery of federal services.



David Osborne

SOURCE: "Mandate for Change," Progressive Policy Institute

THE WASHINGTON POST

MONDAY, DECEMBER 14, 1992

The Promise To Transform Government

By Stephen Barr
Washington Post Staff Writer

The worries are familiar: Government is sluggish, suffering from bureaucratic bloat. It is full of rules and regulations and chains of command. It can't keep up in the real world. Now, more than ever, change is mandatory.

For Bill Clinton, the remedy is "reinventing government." The words served not only as a campaign slogan but as the foundation for his promise "to change the way the federal government operates."

How that promise can be carried out is under study by the transition's domestic policy team. Its leading advocate, David Osborne, has been asked to take part in the Little Rock, Ark., economic summit beginning today, focusing, he said, on "the connection between reinventing government and creating job growth."

The transition team's work has been guided in many ways by Osborne, who wrote a chapter on the topic in "Mandate for Change," a policy blueprint for the Clinton administration released last week by the Progressive Policy Institute, a think tank that has helped shape several Clinton initiatives. In his chapter, Osborne urges the next president to "create a high-level reinventing government group within the White House."

The phrase "reinventing government" covers almost everything that Clinton talked about during the campaign. It's a way to raise money and cut costs, a way to link government management and systems to big issues like health care and "fair share" taxation. It includes Clinton's pledge to cut 100,000 federal jobs through attrition and to require federal executives to achieve a 3 percent across-the-board administrative saving in every agency.

It's also how Clinton can change the behavior of the bureaucracy by injecting it with an entrepreneurial spirit that provides new incentives for federal workers.

To skeptics, however, "reinventing government" is just a buzzword that allows Clinton to redefine tough political issues as bureaucratic problems and to beguile taxpayers with visions of more government for less money.

"When we can't deal with the big issues, we start dealing with the management," said H. George Frederickson, a University of Kansas public administration professor. "The big issues are housing and health care. It takes dedication and political consensus-building and dollars and skills with federalism to deal with those problems. What you've got in Washington is the wrong-problems problem."

But Osborne and his supporters say they believe it is time to concentrate on how government works, because they view this as central to helping solve the nation's long-term economic problems.

For example, Osborne said, the government has set up job training, vocational education and welfare systems that began decades ago. Because of the way the government provides money for vocational education, he said, "you get a system that continues to teach things in some cases long after those skills become fairly irrevelant to the marketplace."

The government's systems can be restructured only by "changing the basic incentives that drive public institutions," Osborne said in an interview. "The budget system rewards waste and encourages waste, because if you don't spend every penny every fiscal year you lose it and get less next year. So if you're smart, you spend it."

As he explains in his "Mandate for Change" chapter: "Most public programs are monopolies whose customers cannot go elsewhere for a better deal. Most are funded according to their inputs—how many children are eligible for a given program, how many families are poor enough to qualify for public assistance—rather than according to their outcomes, or results."

Osborne doesn't fault government workers so much as he does the way government manages. "The marching orders given to the bureaucracy often require them to suspend common sense," he said. "If your personnel system makes it difficult to move people around as needs change, it won't move them around."

Ralph Whitehead, a University of Massachusetts professor who studies the nation's work force, said he thinks the Clinton administration can use "reinventing government" efforts as "an experimental showcase for new ways of organizing work."

If the federal government becomes an innovator, "it can gain new stature in the country. If it doesn't step up, it will be one more sign that the Beltway is out of touch," he said.

The erosion of the middle class over the last decade shows why it is important to think about how work is organized, Whitehead said. "The various levels of the public sector spend hundred of millions of dollars on manpower, mainly for education, and hundreds of millions on technology," he said, "but spend very little on establishing the work systems that make sure that the manpower and the technology will get hooked up to one another in ways that are efficient and equitable."

Osborne's proposed solutions have been outlined in detail in a book, "Reinventing Government," that he wrote with Ted Gaebler, a former city manager of Visalia, Calif., and Vandalia, Ohio. The book, which appeared on best-seller lists earlier this year and has sold 70,000 copies, gives examples of innovative government at the local and state levels and concludes that "the central failure of government today is one of means, not ends."

Under Osborne's framework, a "mission-driven government," for example, would overhaul its budget system and adopt performance-based budgeting. Performance measures would be developed for all federal programs, and the budget would specify performance targets and reward agencies that exceeded those targets.

"Politically, it requires a change of mindset on the part of people in Congress," Osborne said. "They're used to controlling the inputs—you'll spend so much on this base or that base—and they're used to distributing pork. A performance-based system eliminates some of the micro-management up front."

Congress, however, has seen several similar overhaul proposals before. For example, Osborne urges a "sunset law" that would require reapproval of all government regulations—a practice that could create political chaos when such popular programs as Social Security came up for renewal.

And Congress has been moving to foster better management in the government. Sen. William V. Roth Jr. (R-Del.) expects to reintroduce legislation next year that would require federal agencies to develop program performance plans, specify goals and report on the results. Sen. John Glenn (D-Ohio), chairman of the Governmental Affairs Committee, has helped create new agency financial officers and reviews and strengthened the role of inspectors general.

James Colvard, a former deputy director of the Office of Personnel Management, said there is "some real profit to be made" by rethinking many of the current bureaucratic premises.

"The federal system is highly overstructured at the moment," he said, leading to situations where the official interpreting a federal rule effectively makes decisions for line managers and employees but "is not held accountable." He added, "It's the kind of thing that occurs when you have complex processes. . . . There are no villains, and that's the part that makes it so frustrating."