

# **Reinventing Government in the United States: What is Happening with the National Performance Review?**

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As most of you know, there is a special relationship between Australians and Americans. Despite the distance between the countries, there is an unusual affinity between the two peoples. For Americans who are hooked on Australia—and I count myself as one—time spent here provides a very unusual vantage point. Because, while much is familiar here, enough is different to make the long trip more than a good time with a great group of people. The challenge is to figure out what appears to be the same but is, indeed, different in the two systems.

The theme—what is similar and what is different—is the underlying message of this lecture on ‘Reinventing Government in the US: What is Happening with the National Performance Review?’ In previous visits to Australia, I have learned that one can be misled by seeming similarities in our administrative worlds. We use the same vocabulary, we confront similar problems and we are increasingly aware of each other’s activities. So the Clinton administration’s National Performance Review, the NPR, provides a good vantage point on this situation.

This paper focuses on three elements in the NPR. First, I will attempt to place the NPR activity within the context of the American system, past management reforms and expectations emerging from Clinton’s election in 1992. Second, I will describe the experience of the NPR which, at this point, has been divided into two periods: the first called NPR I; the second, which was defined after the congressional elections of 1994 and the emergence of Republican control of both Houses of Congress, called NPR II. Finally, I will conclude with some contrasts between the NPR and what I understand to be similar efforts in Australia.

## **1. The Context for Reinvention**

Americans have had a particularly difficult time coming to grips with administration and hence administrative reform. To some extent, this difficulty is common to all democracies in which representatives must make decisions and policies that involve multiple and often conflicting values. Imperatives of accountability and political responsiveness do not always, or indeed often, lead to efficient administrative capacity. Political representatives in democracies constantly face the juggling act of making trade-offs between competing values of efficiency, equity and effectiveness.

But the American political system makes this problem even more complex. Our system of shared powers—separate institutions of the executive, the legislative and the courts—means that the trade-offs are made by more than one institution. The reality of federalism with divided authority between central government, states and often localities further constrains the ability of the national government to take unilateral action.

Despite the structural realities, for more than a century many American administrative reformers have sought changes that do not often fit easily into the American political system. They have sought to separate politics and administration and have advocated a framework that provides for administrators selected by and rewarded only for their neutral competence, often ignoring the layer of political officials within executive branch agencies in the US. The reformers have also attempted to create administrative changes that accentuate the powers of the executive branch, usually at the expense of the legislative branch. Rather than emphasising the accountability relationships that emerge from shared powers, the focus has been placed on the relationship between the public servant and the chief executive.

Finally, for almost a decade, reformers have been enamoured by the techniques and methods used by the private sector and have accentuated efficiency values over all others. The effect of all of these elements has been to attempt to create an administrative culture that many believe ignores basic issues related to the need for a public sector, particularly questions of equity and redistribution of resources.

If this were not enough, American administrative reformers have behaved much like the purveyors of the fashion world. They move from one costume to another; they have a short attention span substituting one set of reform attempts for another. The streets of Washington and many state capitals are paved with the residuals of the Program, Planning and Budgeting System (PPBS); Management by Objectives (MBO); Zero Base Budgeting (ZBB); and other reforms. They have promised much, indeed overpromised, and searched for the panacea—the silver bullet—that will rid the political system of politics.

By the 1980s, another force emerged on the scene in the US and around the world that reinforced the emphasis on private sector values. The anti bureaucracy mood, bred from many different elements, made it more difficult to articulate the reasons why the public sector exists at all.

Osborne and Gaebler's book, *Reinventing Government*, published in the United States in 1992, provides a clear picture of this reality. Focusing on local government in the US, the authors emphasise the way that analogies can be drawn between the public sector and the private sector, particularly in their discussion of markets. They praise contracting out of

government services; they draw on the Total Quality Management (TQM) concept of citizens as ‘customers’; and they call for the development of an ‘entrepreneurial spirit’ within the public administrative sector.

This rhetoric was extremely attractive to Bill Clinton, both as a candidate and as President. He was taken with the private sector approaches to management change and the political benefits that could be gathered from drawing on Osborne and Gaebler’s reinvention concept. As he faced the reality of the mounting budget deficit, it appeared to provide a way to look ‘tough’ without evoking the ‘bash the bureaucracy’ rhetoric of the Reagan and Bush years. This was the context for the NPR.

## **2. The NPR Itself**

Unlike most administrative reforms of the past in the US, the NPR became a public issue from its earliest days. The ever present pollsters—and the Clinton administration uses pollsters on everything—found that this issue, which was voiced by Vice President Gore on late night talk programs, turned out to be a popular political issue. The first stages of the NPR resembled a political campaign: fast, intense and controlled by generalists. It utilised direct communication with citizens, face to face exchanges with career bureaucrats and a series of teams of experienced federal employees that examined agencies and cross-cutting decision issues. It began seriously in March or April of 1993, very soon after Clinton assumed office in January. The first report issued by the group came out in September 1993. That report entitled *Creating a Government that Works Better and Costs Less*, which is known as the Gore report, had four parts—Cutting Red Tape; Putting Customers First; Empowering Employees to get Results; and Cutting Back to Basics.

Much of what has been understood to be the National Performance Review has come from speeches, reports and analyses released by the Vice President’s Office, the White House and the independent office established within the Executive Office of the President to implement the NPR. These efforts have focused on government-wide strategies for change as well as specific recommendations for particular departments and agencies. These activities express a set of values and strategies articulated by, or at least indicated to be, a part of the Clinton presidency.

In addition to efforts in the White House, a parallel set of activities took place in each of the federal departments and agencies. The Gore report noted that: ‘The President also asked all cabinet members to create Reinvention Teams to lead transformations at their departments, and Reinvention Laboratories to begin experimenting with the new ways of doing business.’

Although packaged as part of the NPR, some of these activities were viewed as experiments and a number of them described in the report actually predate the NPR process. Indeed, in several cases the agenda for change for the federal agencies or departments was devised before the advent of the Clinton administration. Some activities were originally conceptualised as a part of the policy or management agenda of the organisation’s chief executive who could be either a cabinet secretary or an agency head. Other undertakings, however, were developed in response to the Vice President’s directives and closely followed the approach defined by the NPR.

The executive departments and agencies were given the difficult job. Not only did they have implementation responsibility for the government-wide cross-cutting issues such as customer service, procurement and personnel change, as well as the specific agency recommendations in the NPR report, but they were also held responsible for carrying out their own agendas. While the NPR continued to play a role in the process, described by some as a ‘cheer leading’ role, the management of the details of what is now known as NPR I was left to the departments and agencies.

During the first six months of 1994, I looked at the process of implementing the NPR in the following six departments or agencies: the Departments of Agriculture; Health and Human Services (HHS); Labor; Interior; Housing and Urban Development (HUD); and the Agency for International Development (AID). Each of these federal organisations was identified as a major success story in interviews that I had with the NPR leaders. They were held up as examples of public agencies that took the reinvention task seriously. But even these ‘successes’ illustrate significant variability in both the process and substantive response to the NPR inside the federal bureaucracy. There was wide variation in the pace of change achieved as well as its content. It also appeared that there was much going on within the federal government in 1994 in the name of the NPR that may have had little or nothing to do with the administration’s ‘reinvention’ plans or priorities.

I found at least six different types of departmental or agency activities that were defined as fitting under this NPR umbrella: policy change, reorganisation, budget reductions, empowering line managers, improving customer service and changing decision systems. I will describe each briefly.

*Policy change.* Some of the NPR activities and recommendations involve substantive changes in the construction and design of policies or programs. It is important to note that, in most cases, those changes required action by Congress as well as the support of the White House. They were not easily done within this executive office rubric.

*Reorganisation.* The organisational structure of the implementing department or agency was sometimes a target of the reinvention effort. Thus proposals for change in the organisational structure—both in headquarters and in field structures—emerged as NPR initiatives. In the US system, many of these proposals required congressional action.

*Budget reduction.* A major assumption of the NPR activity is that the reinvention processes will produce budget savings or new sources of revenue for agencies or departments. Reductions in the size of the work-force were expected to be a major element in achieving budget savings.

*Empowering line managers.* Bureaucratic cultures that are based on a command and control approach were believed to be major contributors to ineffective government performances. Decentralising decision making to lower levels of the organisation, devising new accountability mechanisms and improving the quality of the work situation were viewed as important components to an alternative approach.

*Improving customer service.* This aspect of the NPR strategy builds on the private sector TQM emphasis on customer service and attempts to emphasise the importance of looking beyond the government agency to determine improvements in the ways that government services were delivered. This, within the NPR activity, includes an emphasis on customer surveys, competition and other attempts to simulate a market situation.

*Changing decision systems.* Slow, unresponsive and inefficient bureaucracies were the target of these NPR efforts. The changes that were recommended in this area involved new ways of developing budgets, personnel, procurement, regulations, intergovernmental relations and inspection processes.

Among the organisations that I examined, I found great variation in terms of their response to the NPR activity. Much of what has occurred followed past patterns of management reform reflecting the authority structure of the organisation, the level of autonomy of sub-units within the organisation and both the positive and negative experiences of the past. In several cases, there was a general perception both within the organisation and in the external environment that change was needed, so there was a match between the internal agenda for change and the expectations of Congress and other external players. At the same time, however, other organisations fell into the trap of separating the management agenda from efforts at substantive policy change. This occurred both because of the types of officials involved (career or political appointees) as well as the strategy employed (top-down or bottom-up). While organisations were often creative in terms of the ways that career officials were involved in the process, these efforts tended to exclude external actors.

The six organisations employed strategies that were both permanent and temporary in nature. Several of the departments created NPR offices that were transformed into on-going institutional structures, charged with orchestrating continuing efforts at change. Others, by contrast, behaved as short term task forces that spun-off assignments and activities to the institutionalised units and processes within the organisation.

The substantive range of the proposals for change was extremely wide. All six of the agencies engaged in activities to empower line managers; in two cases these activities predominantly involved career staff while both political and career staff were involved in the other four situations. Five of the six organisations engaged in policy change; these activities were the agenda of the political appointees in three of the organisations while both political and career people were involved in policy changes in two situations. Changes to decision systems were also found in five of the organisations; in three cases both political and career staff were involved; in two situations only career staff were predominant. Activities involving improving customer service were found in three agencies as a result of both political and career involvement. Budget reduction activities, while also found in three agencies, were the agenda of political appointees in two and joint efforts by both career and political staff in one. Finally, reorganisation activities were found in two situations; in one department they were the result of political appointee involvement while they were the result of joint activity in another.

While some of the recommendations that emerged from the Gore report as well as from internal processes were far-reaching in scope, some of the proposals that were identified by career staff members involved micro-management questions that sometimes appeared to be trivial to political appointees and those outside the organisations.

Both the political appointees and the careerists, however, were influenced by concepts and literature borrowed from the private sector. The popular management writers—Osborne and Gaebler and Hammer and Champy—clearly influenced the internal process. The presence of technological developments, particularly the accessibility of the computer—reinforced desires to eliminate many jobs in the public sector as well as the private sector, particularly middle management positions. The language of TQM was pervasive, particularly concerning the need for an emphasis on customer service. These examples also indicate that the management concept of re-engineering found its way into the public sector.

All of the organisations that I examined confronted widespread cynicism among the career staff as they embarked on their activities. To some degree, this reflects a sense of burnout and a perception that the NPR is simply one more in a series of management reforms that have been unsuccessfully advanced by political figures over the past several decades. In addition, however, much of the cynicism can be attributed to the linkage within the NPR between personnel and budget cuts and other aspects of management change. Downsizing overwhelmed much of the other activity.

What, then, can we learn about the NPR I in practice from the evidence gleaned from these six profiles? Even given the variation in organisational settings, were there any central tendencies that can be ascertained from the early experience to this point?

*Separation of management and policy.* Some of the organisations did not separate management reform from processes and agendas dealing with policy issues. They did so because of attributes that were operative at the departmental or agency level not because of directives or even guidance from a central NPR office. The link between policy and management reform in Labor emerged as a result of the strategy of the top leadership. In AID, it occurred both because of the top leadership as well as external pressure from Congress to change. Similarly, the HUD approach reflected a belief both by top leadership as well as external actors that change was dramatically needed. The failure to link policy and management also occurred as a result of both past and current forces within specific organisations; HHS was preoccupied with policy change and, as well, had historical problems with management reform. Reorganisation efforts within the Department of Agriculture took top billing for time and interest.

*Emphasis on executive power.* All six of the agencies examined borrowed concepts, models, and expertise from private sector management. In some cases, the individuals who played the major strategy role for the activity came directly from the private sector. Even when career officials played a leadership role, they relied on private sector experience as their model. This tended to emphasise internal aspects of change, using the concept of a chief executive officer as the focal point. Although informants in all of the organisations studied did emphasise the relationship between their efforts and those of the NPR White House office, they tended to view that relationship as one which legitimated their own internal activities. In effect, the NPR and the White House provided a useful ‘cover’ for the change that was desired within the agency and leverage for top officials to ‘shake up’ their organisations.

*Conflict avoidance.* Some of the organisations invested in a bottom-up process, emphasising processes which reached out to career staff with a message that ‘we’re all in this together’. In

several instances, these processes did not produce approaches that fit the agenda of top leadership; thus it was difficult to meld the two. Four of the six organisations were able to develop activities that empowered line managers through involvement of both career and political staff. However, it was more difficult to find ways to deal with budget reductions and downsizing through collaborative action.

The NPR I tended to avoid politics and the conflict that occurs as a result of dealing with Congress and interest groups. Three of the organisations studied, however, did reach out to acknowledge the diverse perspectives of Congress and external groups, suggesting that they did not perceive themselves to be constrained by the guidance provided by the NPR.

*Accountability mechanisms.* By the summer of 1994, it was difficult to ascertain whether the agencies examined were able to create bureaucratic, legal, professional or political accountability mechanisms that were appropriate for the new approaches. Much of the rhetoric about accountability involves promises related to the measurement and assessment of performance through the requirements of the Government Performance and Results Act (GPRA). That legislation, enacted in 1993, required agencies to develop outcome measures of their performance. While Congress enacted that legislation, it delegated the enforcement authority to the executive branch through the Office of Management and Budget (OMB). In the NPR's first year, however, GPRA was still a promise, not a reality. While expectations about change were pervasive, it was not clear what was being asked of career public servants that would continue. For what and how will they be held accountable? The widespread cynicism reported among career staffers suggests that they, too, were unclear about their future role and the durability of current initiatives.

However, from the perspective of the White House, NPR was touted as a success. It pointed to savings of an estimated \$63 billion that came from the NPR activities. It noted that federal employment was cut by 100,000 people, ahead of schedule to meet the stated goals. It boasted of enactment of a procurement reform bill and other procedural changes.

Then came the 1994 congressional elections. In many ways, the December 1994 announcements about the second phase of the NPR, that is, NPR II, appeared to be closer to the Republican Party's Contract for America than traditional Democratic policies. Where NPR I had emphasised the processes of administration—the 'how' of government—the second phase focused on the 'what'. It is useful to quote from the Clinton–Gore message of December 1994. It stated:

The first phase of NPR cut back to basics, but we can do even better. The second phase of NPR will:

- eliminate remnants of yesterday's government that just don't make sense in today's world, and
- restructure things that can be better run as a business instead of a bureaucracy.

The first phase of NPR devolved authority to state and local government, but we can do even better. The second phase of NPR will identify things that can be done better by:

- the state and communities involved, and
- individual Americans.

The first phase of the NPR involved the regulatory process, but we can do even better. The second phase of NPR will undertake a major reinvention of the way the federal government regulates and how it enforces its regulations.

In January 1995, a memorandum from Vice President Gore to heads of executive departments and agencies asked them to form agency teams to review everything they do. He asked them to answer three questions:

- If your agency were eliminated, how would the goals or programs of your agency be undertaken—by other agencies, by states or localities, by the private sector or not at all?
- If there are goals or programs of national importance that will remain undone and require a federal role in order to be accomplished, should they be done differently than they are being done today in order to enhance the service to the customers?
- How do your customers—not just interest groups—feel about the possible eliminations or changes?

Similar questions were posed to the agency and department heads in March 1995 regarding regulatory reinvention. They were asked the following questions.

- Is this regulation obsolete?
- Could its intended goal be achieved in more efficient, less intrusive ways?
- Are there better private sector alternatives—such as market mechanisms—that can better achieve the public good and vision by the regulation?
- Could private business, setting its own standards and being subjected to public accountability, do the job as well?
- Could the states or local governments do the job, making federal regulation unnecessary?

In May 1995, the OMB Director, Alice Rivlin, gave testimony to the Senate committee on governmental affairs. She listed three basic concepts that she said underlined phase II:

- The first was privatisation—that is, divesting Government of all operational responsibility for an activity or service and allowing the private sector to meet the need.

- The second was corporatisation—that is, creating alternative forms of organisation, such as government-controlled corporations to ensure better management of a program that serves the public.
- The third was contracting out—that is, procuring a product or service in the private market while retaining federal responsibility for fulfilling a governmental function.

These developments are full of ironies. If the Clinton administration, a Democratic administration, had proposed them to a Democratic Congress, they would have faced significant opposition, particularly from individuals who worry about issues of equity, race, class and redistributive impacts. The basic questions that underline most political decisions—who gets what, who wins, who loses—would have been asked, and Democratic Congress members would have been concerned about the effect of these changes on their constituents, particularly those members who lack political and economic power. While the institutional conflict between the powers of the White House and the Congress would have been discussed, it would have been less worrying than the substantive impacts of these proposals.

But the Clinton administration does not face a Democratic Congress. Instead, it engages in these reform efforts with a Republican Congress—a political environment which is very congruent with private sector values and where issues of equity and redistribution are not raised nor considered to be central to policy concerns. Indeed, under the guise of efficiency and budget cutting, Congress has taken steps that disproportionately impact on the helpless and the poor in the American society.

Where does this leave us? NPR II shows once again that reforms that are posed as strictly ‘management concerns’ have substantive outcomes. Many thought that value assumptions were implicit but hidden in NPR I; however, questions of equity and values became explicit in NPR II.

Those who are most uncomfortable with the current developments are individuals who believe that changes must be made in the status quo. They do not want to be in the position of simply defending the status quo, but they do not like the ideology and assumptions that are found in the NPR path. They find themselves in a strange position. They believe that government service to citizens should improve, but that the many and often conflicting types of individuals and interests served by government make the private sector concept of the monolithic ‘client’ inappropriate as a method of assessing public sector effectiveness.

### **3. Contrasts with Australia**

Many of the reform efforts that I have described are familiar to Australians. Indeed, NPR self-consciously borrowed ideas from Australia, New Zealand and Great Britain. But it is important to emphasise some basic differences.

*First, structure.* Because it is a parliamentary Westminster system—or what my friend Elaine Thompson calls the ‘Washminster system’—the machinations that I have described in the US that emerge from institutional conflict between the legislative and executive branches are not experienced in Australia in a formal structural sense. From my years visiting Australia, I have discovered that some of those tensions do exist, but they are related to the functions rather than the structures of governance.

*Second, time frame.* I began my visits to Australia in 1985. At that time, I was introduced to the first stages of the Financial Management Improvement Program (FMIP) and other reform efforts emerging from Finance. I may be exaggerating somewhat, but I believe that the effort that was undertaken in the US in approximately a six-month period, which culminated in the Gore report, took more than five years to develop in Australia and involved multiple levels of organisations and constant refining of recommendations and processes. As a result, you did not experience the level of cynicism and sense of trendiness among public servants that surrounded the Gore report.

*Third, stability in top officials.* Unlike the US, Australia’s Public Service system does not have the relatively deep layer of top political officials: thus there is a level of continuity that is found in agencies in Australia that is not apparent in the US.

*Fourth, investment in training.* Australia has acknowledged that the kinds of dramatic changes that are proposed in reform efforts of this type required an investment in training of staff. The US has not made that investment.

So what? Why should Australians be interested in the NPR, despite these clear differences in approach and structure? And why should members of the legislative branch focus on these experiences?

I will leave you with two observations that I think are relevant to Australians. First, despite the rhetoric to the contrary, management reform has a real policy impact. It is not a neutral set of activities that has no impact on citizens. These impacts are not uniform but, rather, vary across class, region, ethnic group and other social divisions.

Second, because of this reality, members of the legislative branch should be attentive to these impacts. Although management reform will always be more important to the executive function than to the legislative, it is relevant for legislators to watch these activities and acknowledge the close linkage between management and policy. While the form of these impacts may differ across the globe, the experience of the American NPR does contain a message of interest to Australians.

**Questioner** — Where do you see the initiative for management reform or organisational change in the US coming from now? The experience in Australia has been to look to the private sector to lead some of our reforms in the public sector.

**Prof. Radin** — The experience in the US is not much different from that which you have described occurs in Australia. This may be sour grapes from someone who is a Professor of Public Administration, but the first phase of the Gore report in the NPR totally ignored any of

the work that was done in the public administration field. Instead, it relied almost entirely on the private sector writers, thinkers and advisers. They used that language.

There has been debate for many years about the differences between the two sectors. I happen to believe that, even though there are some similarities in important ways, they are really very different and they have different functions in the society. One of the things that bothers me now is this total reliance on the private sector models and forgetting that there is a reason why we have a public sector.

**Questioner** — Two of the things that you emphasised in your talk were value and accountability. Do you have any comments as to how value, value in terms of equity, might be accommodated more in the new model, the NPR II model, and how accountability could be more effective under this new devolved fragmented system?

**Prof. Radin** — As I tried to mention, there is very little attention to questions of equity and redistributive questions in the NPR. From the beginning until today, you find it in some of the specific department efforts. For example, what is being called ‘reinvention’ within the Department of Housing and Urban Development is constructed on a set of clear values and a concern about providing housing services to the underserved in the American society. But that did not come from the NPR; it came from the cabinet secretary in that department.

The question we need to ask is: whose accountability? One of the difficulties in a democracy is that we have accountability to many different stakeholders and institutions. Right now I would say that there is probably accountability to a majority in the Congress that want to make cuts. So that is what we live with when we have a change of government in the society. But, if we think about accountability in terms of accountability to people who have not been served, I do not see it.

The TQM concept of customers in the United States has been extremely problematic. The customers in many of the social programs have been defined as the people who are the providers of the service, not the people who are the recipients of the service. They have quite different perspectives on the world.

**Questioner** — I also have a question about the role of clients. Has there been a public reaction to Alice Rivlin’s recent proclamations about corporatisation, contracting out or privatisation? We have heard a little bit over here about the fact that parts of NASA, including the space shuttle, might be privatised. Has there been any public reaction to that third phase as yet?

**Prof. Radin** — I have not heard of any. I would say she would not have given that testimony unless they had done some focus groups and got a view that there was a positive response to that rhetoric. The major privatisation, contracting out, corporatisation proposals are really coming from the Contract with America. What is a little bit surprising is that they emerged from the Clinton administration. But, in a general sense, it has not become an issue. The debate will probably be about specific proposals rather than these three principles. We will see how they are applied.

**Questioner** — I am puzzled by the picture you have given of the imbalance between Congress and the executive. We understand that President Clinton and Vice President Gore have a strong focus on equity and distribution effects. But it seems that in a very short time—in a year or less—equity and distribution considerations have been ignored in favour of other models. Is this the picture you have given us? If so, does it not indicate that Congress seems to have more power in America than the President?

**Prof. Radin** — I do not know whether it indicates that Congress has more power. What it indicates is that there is an election coming up and that Clinton, I believe, is posturing himself to take positions that he thinks will give him the most credibility with the American voter.

**Questioner** — Can you state the reasons for having a public sector? In Australia, it seems to be getting lost in rhetoric.

**Prof. Radin** — I think it is getting lost everywhere—not just in Australia. That is the point that I was trying to make. That is why it is inappropriate just uniformly to adopt private sector techniques. There are reasons why we have a public sector. They clearly involve providing services to people who may or may not be able to pay for them. A public sector is there to safeguard against the tyranny of the majority. That is why we have constitutions. It seems to me that we have something in the public sector that has to do with legitimacy and authority that the market concept just does not capture.

**Questioner** — What is the effect of these changes on local government? You have mentioned that some services are devolved to local government in the United States from the federal sphere. What happens if a person is unable to pay for essential services like water?

**Prof. Radin** — When we say devolving to state and local government in the United States, we have tended to mean devolving to the state government, because the local government is a creature of the state. Many of the policies—there are a number of ironies here—that are being examined and the programs that are being thrown out are actually those that local governments like because it is a way for them to get national resources at the local level. If, as has been the case over the last fifteen years or so, the proposals are to increase the number of block grants that go to the states, local governments will then have to go to the states and become supplicants to the states. In some cases, local governments do well but, in many other cases, local governments find that their concerns are not concerns of the state government and that they have done better with what we call ‘categorical programs’ from Washington.

A lot of people are extremely concerned about this devolution pattern that is being proposed and developed. The states are getting more authority, but they are also getting less money. The states are already, for the most part, in a miserable financial condition, so they are going to displace costs to the localities which are also not in a good financial condition. So the net effect is likely to be that many services such as water may suffer as a result. As many of you know, much of local government in the United States is supported by local property taxes. If you are an affluent community, your property taxes are higher: if you are not, you have fewer resources to be able to utilise and to deal with the needs of your citizens.

**Questioner** — Are these reforms of contracting out being implemented in local government?

**Prof. Radin** — Many of them started in local government. If you look at Osborne and Gaebler, you see that the examples are almost 100 per cent from local government. There is a mixed bag. I am told that the California community—it was described in quite a lot of detail in the book—has found that much of the privatisation and contracting out did not work and it has gone back to more traditional public provision of services. But it is happening. When you have fewer resources, people are trying to work out ways of getting more for less. As one of my colleagues used to say, ‘when you have less, you get less for less’.

**Questioner** — I was a bit surprised when you talked about the motivation behind the actual reform process. One phrase that comes up all the time as being the driver of public sector reform but which did not come up is ‘international competitiveness’. When I look at the motivation behind most of the public sector reforms in Europe, I see that the underlying reason for it is always, ‘We’ve got to cut the size of the public sector in order to actually reduce costs on firms which have to be internationally competitive. A country such as Thailand has a public sector that is about one-third of our size; therefore it is much more internationally competitive.’ Could you give us some indication of whether that particular argument played any role at all within the US debate.

**Prof. Radin** — The US tends to be pretty insular. US politics is rarely involved in international issues. Clearly, some firms are concerned about international competitiveness, but it is relatively tangential to the NPR activity. There is plenty of other activity that is related to competitiveness, but I did not see it playing a major role in the NPR. It is interesting. I had not thought about that before.

**Questioner** — Given the reasons for the NPR, how much has the NPR cost so far and has costing been done of similar fashionable performance reviews in the past?

**Prof. Radin** — I have not seen any explication of the cost of the NPR. The NPR office, which is in the executive office of the President, is very small. It may have five or six people—no more than that. Clearly, a lot of time is spent by people in the departments and agencies. The question is whether they would be spending their time on something else that might be more effective. I have not looked at what is being called NPR II in the same departments and agencies that I examined in 1994. It is clearly something I need to do when I get back.

I also see a disjuncture between what is being said government-wide and what is actually happening in these departments. Anecdotally, I am told that some interesting and positive things are happening under NPR II in departments that have nothing to do with corporatisation, privatisation and contracting out. I do not know. But that is a very interesting question.

**Questioner** — I am interested in the question of costing, as raised by a previous questioner. In this evaluation of the public sector, it does seem to me that economists from the monetarist and economic rationalist school are very narrow in the way they cost and evaluate private sector contributions, public sector contributions and public sector policies. I am wondering whether there is any movement in the United States to cost privatisation more effectively?

**Prof. Radin** — We saw the privatisation move earlier during the Reagan administration and those issues were raised. People talked about contracting out, saying that the contractor could do the job for less money than the cost of providing the services in the public sector. In the first round of this, nobody ever costed the amount of time that it took for staff within the agency to play an oversight-accountability role. Then people realised that you have to do that. When they did that, they slowed down some of the contracting out activity because those hidden costs showed that in a number of cases it really was not cheaper to contract out than to provide it inside the government. I think those kinds of things are very important. There really are hidden costs as well as resources and subsidies that go into that calculation that we often ignore.

**Questioner** — You did not really elaborate on your feelings about the Contract with America and Newt Gingrich. Can you tell us your ideas about how you would feel about a possible Republican coup?

**Prof. Radin** — Some of us call it the contract on America. Maybe that sums it up.