

자료 96-08

개원 4주년 기념 심포지엄

국가경쟁력 강화를 위한 공공부문의 생산성 제고

1996. 8.

KIPF 개원 4주년 기념 심포지엄

목 차

심포지엄의 개요 / 3

제1주제

Governmental Activities and Markets (Dr. Vito Tanzi) / 5

제2주제

공공부문 생산성 제고를 위한 예산제도의 개선 (柳一鎬) / 51

제3주제

Reconsidering Productivity Paradigms : Competition as an
Alternative to Privatization (Dr. Marc Holzer) / 87

심포지엄의 개요

10:30 ~ 10:45 개회 및 축사

개회사 : 최 광 한국조세연구원 원장

축사 : 한승수 부총리 겸 재정경제원 장관

10:45 ~ 12:15 제1주제 : Governmental Activities and Markets

·사회자 : 김완순 고려대 교수

·발표자 : Dr. Vito Tanzi IMF 재정국 국장

·토론자 : 박재완 성균관대 교수

윤건영 연세대 교수

13:30 ~ 15:00 제2주제 : 공공부문 생산성 제고를 위한 예산제도의 개선

·사회자 : 차병권 서울대 명예교수

·발표자 : 유일호 한국조세연구원 부원장

·토론자 : 박태규 연세대 교수

오연천 서울대 교수

15:10 ~ 16:40 제3주제 : Reconsidering Productivity Paradigms :
Competition as an Alternative to
Privatization

·사회자 : 김영평 고려대 교수

·발표자 : Dr. Marc Holzer 미국 Rutgers대 교수

·토론자 : 강웅선 매일경제신문 논설위원

노기성 한국개발연구원 연구위원

17:00 ~ 18:30 종합토론 : 국가경쟁력 강화를 위한 공공부문의 생산성 제고

·사회자 : 최 광 한국조세연구원 원장

·토론자 : 곽태원 서강대 교수

문동후 총무처 소청심사위원

이한구 대우경제연구소 소장

장현준 중앙일보 논설위원

최택만 서울신문 논설위원

개원 4주년 기념 심포지엄 / 제1주제

Governmental Activities and Markets

Dr. Vito Tanzi
(IMF 財政局 局長)

본 논문에 실린 내용은 필자 개인의 의견을 반영한 것이며, 한국조세연구원의 공식적인 견해와는 무관함.

Table of Contents

국문요약

Summary

I . Introduction

II . Government and Markets

III . Arm's Length Relationships and Cultural Factors

IV . On Corruption

V . Economic Consequences of Corruption

VI . Policy Implications

VII . Concluding Remarks

References

<국문 요약>

정부활동과 시장

1. 시장의 실패, 관료의 행태, 부패

공공재, 외부효과 등이 존재할 경우 시장기구에서 형성되는 균형이 비효율적이며 이를 교정하기 위한 정부의 역할이 필요하다는 것은 이미 잘 알려진 사실이다. 그런데 이러한 시장의 실패를 교정하기 위한 적절한 역할을 하기 위해서는 업무의 주체인 관료들이 그 사회가 추구하는 목표를 정확히 이해하고 이를 성실히 추구하는 자세를 가져야 한다는 기본적인 명제가 먼저 충족되어야 한다.

관료계층이 이러한 자세로 업무를 수행해야 한다는 것은 일찍이 베버(M. Weber)가 설명한 관료 및 관료제도가 가져야 하는 이상적인 덕목, 즉 선발 및 승진에 있어서의 엄정한 공정성, 높은 교육수준 및 고도의 직무경험 등이 갖춰진 사회에서만 가능하다. 그러나 이는 베버 자신이 지적 하였듯이 현실이라기 보다는 이상형의 서술에 더 가깝다. 그러면 현실세계의 관료집단의 행태가 이러한 이상형과 얼마나 유사하며 또 근접할 수 있을 것인가? 이에 대한 판단은 여러 가지 있을 수 있으나 뷰캐넌(J. M. Buchanan)을 대표로 하는 공공선택론자들은 이부문에 있어 대단히 회의적인 의견을 가지고 있다.

본 연구는 공공선택론자들의 의견에 대한 찬성·반대를 논하고자 하는 것이 아니다. 그보다는 이론 형성의 현실적 근거였던 부정적인 관료행태, 그 중에서 특히 「부패」의 문제에 대한 논의를 하고자 한다. 또한 국가의 경쟁력과 공공부문 생산성 논의의 한 측면으로서 정부활동과 시장의 관계와 관련되어

현실적으로 나타나는 부패행위를 고찰하고자 한다. 본 연구에서는 「부패」가 발생하는 근거와 그것이 초래하는 문제에 대한 다음과 같은 결론으로부터 논의를 시작하고자 한다. 즉, 베버가 제시했던 이상형으로부터 실제 관료의 행태가 멀어질수록 또 정부가 정책수단에 대한 적절한 통제기능을 갖지 못할수록 「부패」의 가능성은 높아지며, 이에 따라 정부가 시장의 실패를 교정하는 효과 또는 능력은 저하된다는 것이다.

2. 부패의 개념정립과 현실적용시 어려움

부패는 매우 다양한 형태를 띠고 있기 때문에 정의하기가 어려운 것은 사실이다. 그러나 매우 단순한 형태로 정의하면 공평무사원칙을 의도적으로 지키지 않는 것(the intentional noncompliance with the principle of arm's length relationship)인데 친분이나 혈연관계가 경제적 의사결정에 영향을 미치는 상태로 파악할 수 있다.

부패라고 하는 단어는 라틴어의 *rumpere*로 부터 왔는데 이는 무엇인가를 위반함을 의미하는 것으로 부패라는 의미가 갖는 첫째 요소가 된다. 위반의 대상이 되는 것들에는 도덕규범이나 사회관습, 또는 행정법(administrative rule) 등이 포함된다. 부패라는 단어가 내포하고 있는 두번째 요소는 일종의 특혜(benefit)가 발생하게 된다는 점이다. 그리고 이러한 특혜는 위반행위에 대한 직접적인 대가로 여겨진다.

부패에 대한 위와 같은 단순한 정의를 가지고 현실에 적용할 경우 몇가지 어려움에 직면하게 된다. 첫째, 특정 규칙을 위반했는지를 판단하기 위해서는 명확한 증거가 있어야 하며 이것이 가능하기 위해서는 규칙을 분명하게 만들어으로써 해석상의 논쟁이 발생하지 않도록 해야 한다. 특히 행정법의 경우 특정 행위가 법조항을 위반했는지를 판단하기 위해서는 행정법 자체가 명확해야

만 한다. 이러한 관점에서 본다면 규칙을 정확하고 엄격하게 만드는 것이 부패를 막을 수 있는 하나의 방법이 될 수 있다. 그러나 규칙을 만들때 주의해야 할 사항이 몇가지 있다. 현실의 경우를 살펴 보면 종종 특정집단에 특혜를 주기 위해 규칙이 제정되는 사례가 있으며 때로는 지나치게 많은 규칙들로 인해 부패가 발생하기도 한다. 또한 규칙이 너무 경직적일 경우에는 한나라 경제나 조직이 원활하게 기능하는데 장애 요인으로 작용할 수도 있다.

둘째, 특혜를 제공한 대가로 받게 되는 보상이 즉각적이고 명시적인 형태를 띠지 않는 경우가 있다. 예를 들면 특혜를 제공한 공무원 당사자에게 직접 보상하지 않고 훗날 자녀의 결혼시 답례품을 제공하거나 졸업후 직장을 알선해 주는 경우 등이 이에 해당된다. 이처럼 오늘의 특혜가 내일의 보상으로 이어지는 경우에는 특정 행위가 뇌물을 받고 행해진 것인지를 파악하기가 어렵다.

셋째, 혈연관계과 매우 중시되는 사회에서는 공무원이 그의 가족이나 친구를 돕는 것이 하나의 관습처럼 되어 있다. 베버가 생각한 이상적인 관료주의 세계에서는 정책결정이 혈연이나 지연의 영향을 받지 않지만 현실은 이와 다르다. 경우에 따라서는 혈연의 영향을 배제한 새로운 규정보다는 구시대의 사회규범이 더 영향력있는 행동의 준칙으로 자리잡기도 한다. 이러한 현실을 감안하지 않을 경우에는 한 사회에서의 합리적 정책이 다른 사회에서는 종종 잘못된 결과를 야기하는데 선진국이 개도국에 제시한 개혁안의 실패가 그 사례라고 할 수 있다. 이는 혈연이 의사결정에 중요한 영향을 미치는 사회에서는 제도 개혁시 단순히 법적인 측면만을 고려해서는 안되고 그 사회의 도덕규범이나 사회관습도 염두에 두어야 함을 의미한다.

3. 부패가 경제에 미치는 영향(Economic Consequences)

부패가 생길 수 있는 정부의 경제제도 운용은 매우 다양한데 중요한 예로는 정부의 규제, 벌과금, 정부발주계약, 조세와 보조금, 고용과 승진, 사회복지수혜, 공공시설이용, 세무행정 등이 포함된다. 이러한 제도들이 개인적인 친분에 의해 운영될 경우 경제의 효율성, 공정성, 안정성을 저해할 수 있다.

시장의 실패를 보완하기 위해 고안된 경제제도가 공무원 자신의 사익을 위해 사용될 경우에는 제도의 원래 의도와는 반대로 효율적인 자원배분을 저해하는 방향으로 작용할 수 있다. 세무공무원의 비리, 보조금 지급대상의 자의적인 결정 등은 시장경제의 효율성을 해치는 결과를 가져온다. 예를 들어 세무공무원이 특정 납세자의 탈세를 도와주게 되면 세수가 감소하게 되고 이로 인해 손해를 보는 것은 국민전체이다.

또한 부패는 여러 경로로 정부의 재분배 기능을 왜곡시킨다. 공무원과 친분관계가 있는 사람에게 더 좋은 지위, 수익성이 높은 정부발주계약, 보조금 등을 지급할 경우에는 정부개입으로 인해 오히려 소득분배가 악화될 수 있다.

마지막으로 부패는 경제의 안정성-정부재정-에 나쁜 영향을 미칠 것이다. 정상인인 데도 불구하고 개인적인 친분이 있다는 이유에서 장애연금이 지급되거나 뇌물을 받고 생산성이 떨어지는 업자와 계약을 체결하게 되면 정부의 지출이 늘어나는 결과를 가져올 것이다. 한편 세무비리에 의해 세금이 국고로 들어가지 않고 세무공무원이 세금을 포탈하게 되면 정부의 수입은 줄어들고 이는 정부재정을 악화시키는 결과를 가져온다.

4. 정책적 함의(Policy Implication)

부패가 한나라의 경제에 미치는 영향의 정도는 정부의 개입범위, 사회의 특

성(예를 들면, 개인적인 친분이 의사결정과정에서 차지하는 비중), 정치체제, 형벌제도 등과 같은 여러 요인에 의해 결정될 것이다. 이러한 요인들을 감안하여 다음과 같은 정책적 함의 몇가지를 도출할 수 있다.

첫째, 혈연과 지연이 중시되는 사회에서는 국가의 역할이 크면 클수록 부패가 발생할 가능성은 커지기 때문에 부패를 줄이기 위해서는 정부규모를 축소해야 한다. 둘째, 부패가 만연한 사회에서 이를 감안하여 공무원의 월급을 인하하는 정책은 성공을 거두기가 어렵다. 비현실적으로 낮은 수준의 공무원 월급은 부패를 발생시키고 또한 사회는 이러한 공무원의 부패를 용인하는 경우가 있다. 셋째, 부패 축소를 위해서는 주기적으로 공무원의 근무지나 보직을 바꾸어 주는 정책이 효율적이다.

Summary

Corruption is a phenomenon of great economic significance and one that is finally attracting the attention that it deserves. Newspaper articles in many countries have been reporting with increasing frequency stories purporting to show cases of corruption.

The paper defines corruption as noncompliance with principle of the arm's length relationship, which states that personal or family relationships ought not to play a role in economic decisions by private economic agents or by government officials. This principle is essential for the efficient functioning of markets.

The normative theory on the role of government implicitly assumes that the arm's length principle is respected by government officials. The theory of pure competition also assumes that the arm's length principle prevails in relationships among economic agents. However, in the real world, economic relations, are often influenced by personal or other kinds of relations and this influence distorts the working of markets. The paper argues that cultural factors may be important in determining the extent to which economic decisions and relations, including those between government officials and private individuals, are affected by personal relations. In some societies it will be difficult for individuals to resist pressures for favorable treatment coming from related individuals. Once a distinction based on relationships begins to be made, corruption, as defined above, often follows.

The paper argues that corruption is stimulated by government-determined conditions that encourage some individuals to get around obstacles or to attempt to get favorable treatment by bribing those who control particular public sector instruments. These bribes are often presented as gifts. The more pervasive is the role of the public sector (through regulations, taxes, etc.), and the more personalized are relations among individuals, the greater will be the scope for corruption. The paper also argues that, *ceteris paribus*, corruption is likely to grow with time because of the learning-by-doing quality that it entails. Individuals who begin to bend the rules will progressively find it easier on moral or practical grounds to succumb to corruption, will begin to imitate those who have. When it is assumed that "everyone does it," corruption will no longer convey the stigma that it does in some countries.

The paper discusses the economic consequences of corruption for the allocative, redistributive, and stabilization role of the government and concludes that a reduction in the scope of corruption can come mainly from a drastic reduction of the pervasive role of the state in the economy.

I. Introduction

On May 8, 1993, the day when the author of this paper sat down to start drafting its first version, The Washington Post carried a front page story about a division of the U.S. National Institute of Health in Bethesda "in which some female employees were promised promotions and raises if they agreed to have sex with their male managers..."(Jennings, 1993, p. 1). On the same day, an article in The New York Times reported that in China, in the process of privatization of land, "individuals seen to be expropriating the state's property at bargain prices."(Wu, 1993, p. 3) The article went on to state that "... today's real estate boom raises troubling questions about land that is allocated not [so much] by prices but by guanxi."(ibid)¹⁾ Guanxi is the Chinese word for "connections." The article cited a Chinese businessman to the effect that: "if you have guanxi, it is the time to make big money." Thus, according to this article, in today's China, "connections" have great economic value and smart people can capitalize on them to earn large "incomes." On May 8, 1993 French newspapers were still carrying stories about the suicide of former Prime Minister Pierre Bérégovoy, attributed in part to his despondency as a result of the accusation that he had received an interest-free loan from a friend. And Italian newspapers were providing further details about private entrepreneurs who had paid large bribes to well-placed politicians in order to get lucrative contracts with the Italian public sector. On August 10, 1994, when the

1) It has been reported that the process of price deregulation is creating opportunities for corruption. See Wong(1992).

final version was completed, front page news in the New York Times and the Washington Post reported on the accusation that gifts given to a high U.S. government official might have resulted in favorable decisions vis-à-vis certain business activities.

What is the unifying thread in all of these stories? Essentially, it is the accusation that the "arm's length principle" was not applied to economic decisions. This principle requires that personal relationships should play no role in economic decisions involving more than one party. Equality of treatment for all economic agents is essential for a well-working market economy. In the examples cited above, economic decisions--in land markets, in labor markets, in financial markets, in the market for government contracts, and in government decisions concerning private sector's activities--were allegedly not guided by the arm's length principle.

II. Government and Markets

Economic theory tells us that if markets were perfect, there would be no need for the government to play an economic role. Furthermore, almost by definition, these markets would be guided by the extreme version of arm's length relationships among market participants implied by pure or perfect competition. Decisions concerning the selling and buying of goods; the hiring, retaining, and compensating of workers; the lending and borrowing of money; the timing, size, and location of investment projects, and so forth would be determined by economic considerations and profit opportunities alone. Personal relationships among the parties would play no role.

However, markets are not perfect; the existence of public goods, of externalities in production and consumption, of informational deficiencies, and of monopolistic practices, justifies and requires that the state play an economic, corrective role²⁾. The work of Lindahl, Wicksell, Musgrave, Samuelson and others has been influential in determining the optimal theoretical, or normative, role of the state.

A fundamental but unstated assumption in the theoretical work on the role of the public sector is that public sector officials(both policy makers and civil servants) know what they are doing and are neutral and impersonal in their pursuit of the social welfare³⁾. When these officials

2) An economic role for the state may also be justified by concerns for equity and stabilization. See Musgrave(1959) and Stiglitz(1989).

3) Without this assumption, one could not defend a corrective role for the state. The definition of the social welfare or the public interest, raises difficult

make mistakes, they are honest mistakes. This assumption, though of fundamental importance, is hidden in the pure theory of public expenditure⁴).

The theoretical work of how the public sector should pursue its corrective role owes a great deal to Max Weber's ideal or normative type of rational-legal bureaucracy. As Robin Theobald has put it : Weber's bureaucrats would operate "...according to rational procedures and universalistic principles in which there is no place for personalism, cronyism, and, most of all, the confusion of public with private interests⁵." This bureaucracy "... is run by hierarchically ordered corps of officials who are recruited and promoted according to objective criteria such as educational qualifications and professional experience; who are paid a regular salary which is graded according to rank and qualifications; and who are allocated fixed jurisdictional areas governed by clearly laid down rules and procedures."(see Theobald, p. 56) Weber was aware that "Bureaucracy, thus understood, is fully developed... only in the modern state, and in the private economy only in the most advanced institutions of capitalism."(see Weber, 1978, p. 56) In other words he was fully aware that he was presenting an ideal type of bureaucracy rather than describing reality⁶).

theoretical and practical questions ignored here. For the classic treatment of the theoretical difficulties, see Arrow(1951). see also the discussion of a social welfare function in Mueller(1989, pp. 384-407).

4) See Samuelson(1954); and Musgrave(1938). See also Mueller(op. cit. pp. 144-147).

5) See Theobald(1990, p.47). Max Weber fundamental work is in Economy and Society (1978), Vol. 2. For a discussion of the characteristics of a modern bureaucracy, see especially Chapter XI, Volume 2, pp. 956~1005.

6) See also Weber(1947).

The extent to which the real world approximates the Lindahl-Samuelson-Weber ideal is, of course, an open question. The Italian Scienza delle Finanze, which had a lot of influence on James Buchanan's work and, through him, on the development of public choice, would have been very skeptical on various grounds about the realism, and, indeed, about the usefulness of the normative theory of public expenditure.

In the real world, the economic role of the state is exercised through the use of various instruments such as (a) public spending for government consumption and transfers; (b) taxation and borrowing; (c) various forms of regulation; (d) lending activities, and, (e) occasionally, less orthodox governmental actions such as expropriation, conscription, nationalization, privatization, exhortation, and so forth. Depending on the level of development of a country and on its sophistication, some of these instruments are more used than others. For example, poorer countries are less able to raise large shares of their national incomes in taxes; as a consequence, they tend to abuse the instruments listed under (c), (d), and (e)⁷⁾.

The behavior of real world bureaucracies (and policymakers) may depart significantly from the Weber ideal for several reasons. Some of these reasons have provided the basis for the public choice literature⁸⁾. In this paper the focus is on the economic role of "corruption." An important

7) For this reason, the fact that developing countries have tax levels much lower than industrial countries does not imply that the government plays a smaller role in them.

8) Dennis C. Mueller's book, op. cit., is probably the best source on that literature. Issues such as voting rules, multiparty systems, rent-seeking activities and so forth are the essence of the public choice literature.

conclusion will be that the more real-life bureaucracies diverge from the Weber's ideal, the less control will the government have over its policy instruments and the less correction it will be able to bring, through its actions, to the imperfections of the market. In other words the less legitimate and justified will be the corrective role of the government.

The divergence between the optimum of the Samuelson solution and the real outcome of the public sector's action may be due either to (a) policymakers pursuing policies that are not consistent with the achievement of the social welfare function; or (b) to bureaucrats distorting, in various ways, the signals that they get from the policymakers. The issue of corruption obviously concerns both. There is, thus, administrative and political corruption (see Rose- Ackermann, 1978). This paper deals mostly with administrative rather than political corruption. In other words, it focuses on the activities of individuals who, in their positions as public officials, control various activities or decisions. It does not focus on the corruption associated with particular political systems. The issues discussed transcend the political configuration of the country; they are not limited to whether a country has democratic or authoritarian institutions. Political corruption, however, is likely to be more influenced by a country's political system.

III. Arm's Length Relationships and Cultural Factors

On January 25, 1992 The Economist reviewed a paper by Prakash Reddy, an Indian social anthropologist who, reversing the common pattern of Western scholars going to study developing countries' social behavior, obtained a research grant to study a village in Denmark. He spent a few months in this village-- Hvilsager--and registered his impressions of the relations among its inhabitants⁹⁾. These impressions formed the basis of Reddy's paper reviewed by The Economist.

Professor Reddy had been amazed to observe that the villagers hardly knew one another. They rarely exchanged visits and had few other social contacts: They had little information on what other villagers, including their neighbors, were doing and apparently little interest in finding out. Even the relationships between parents and children were not very close. When the children reached adulthood they moved out and, after that, they visited their parents only occasionally.

Professor Reddy contrasted this behavior with that prevailing in a typical Indian village of comparable size. In the latter, daily house visits would be common. Everyone would be interested in, and getting involved in, the business of the others. Family contacts would be very frequent and the members of the extended families would support one another in many ways. Relations with neighbors would also be close.

This story has implications for the concept of arm's length and, in turn,

9) The title of the English manuscript is "Danes are Like That." The published version is in Danish.

for the role of corruption. Arm's length relationships in economic exchanges would be much more likely to prevail in the Danish village than in the Indian village. In the latter, the concept of arm's length would seem strange and alien. It would even seem immoral. The idea that, economically speaking, one should treat relatives and friends in the same way as strangers would appear bizarre. Relatives and friends would simply expect preferential treatment whether they were dealing with individuals in the private or in the public sector.

If a government were established in each of the two villages, with a bureaucracy charged with carrying out its functions through the instruments described earlier, it would be far easier for the Danish bureaucrats to approximate in their behavior the Weber's ideal than for the Indian bureaucrats. In the Indian village the attempt to create an impersonal bureaucracy that would operate "... according to...principles in which there is no place for personalism, cronyism, etc." would conflict with the accepted social norm that family and friends come first. In this society the government employee, just like any other individual, would be expected to help relatives and friends with special treatment or favors even if, occasionally, this behavior might require bending, or even breaking, administrative rules and departing from "universalistic principles." The person who refused to provide this help would be seen as breaking the prevailing moral code and would be ostracized.

Once civil servants begin to make distinction among the people they deal with according to the degree of family relationship or friendship, they have abandoned the arm's length principle. It would consequently be a small

step to begin to expect some compensation from more distant members of the community for performing for them tasks that should be the duty of the civil servants to perform or for treating them in the same favorable way as others. Without such compensation those who required particular permits or legal documents or other services might have to wait a long time to get them¹⁰). Thus, "speed or oil money" may be required to accelerate the process and payments of various kinds ("bribes") to get a positive response in cases where the bureaucrat has the power of refusal.

The Indian and Danish villages described above represent polar or extreme cases of how individuals may interact within a community. Whether Professor Reddy's description of them is or is not accurate, they provide convenient polar cases. Most societies probably fall somewhere between these two extremes, with Nord European and Anglo-Saxon countries probably closer to the Danish village model and many other countries closer to the Indian village model. The Anglo-Saxon concept of "privacy" is probably just a manifestation of arm's length relationships¹¹). Many developing countries would probably be closer to the model represented by the Indian village. Some industrial countries, such as Italy and possibly Japan, would also come closer to the latter than the former.

10) For example, tips or bribes may become necessary to get a telephone hookup, to get quickly the results of blood tests, to get admission to schools or hospitals, to speedily clear goods at Customs, to get import licenses; in some countries, even to get train and plane tickets, and so forth. David Remnick reports that in the Soviet Union even the access to morgues or coffins by dead bodies required the payment of bribes. See Remnick, pp. 184-185.

11) Interestingly enough the word privacy is very difficult to translate in other languages. Translations generally do not render the precise English meaning.

Sadly, the very features that make a country a less cold and indifferent place are the same that increase the difficulty of enforcing arm's length rules so essential for modern efficient markets and governments.

In this connection, the concept of "social capital introduced by Coleman(1990) is of relevance¹²⁾. Coleman criticized the economic theory of perfect competition in a market since it accepts" [the] fiction...that society consists of a set of independent individuals, each of whom acts to achieve goals that are independently arrived at, and that the functioning of the social system consists of the combination of these actions of independent individuals"(p. 300). He maintains that"...individuals do not act independently, goals are not independently arrived at, and interests are not wholly selfish"(p. 301). And that "personal relations and networks of relations" are important to achieve personal goals. He considers these relations and networks as a capital asset for the individual, a kind of social capital. This social capital is not tangible and is not completely fungible but is" ... productive, making possible the achievement of certain ends that would not be attainable by the individual in its absence (p. 302)." The concept of social capital can be adapted to our discussion to reach conclusions that are not necessarily those intended by Coleman.

In our interpretation, social capital is an asset to the individual who possess it. It is in essence the summation of all the "I owe yous" that the individual has accumulated vis-à-vis others. Some of these may come

12) The interpretation given in this paper to that concept is not the same as that given by Coleman. Here we emphasize the social capital as it concerns the individual rather than society.

from his family background, some from connections developed in school or at work, some from past favors made, and so forth. But, of course, the social capital of an individual does not represent a one-way street in obligations. While the individual can use this capital to ask others to do things for him, others can draw from their social capital to ask him to perform tasks or do things for them. One could, thus, distinguish a gross from a net concept of social capital. The obligations that others have toward the individual might be largely balanced by the obligations that he has toward them. The existence of social capital links individuals in a network of obligations that both increases their opportunities and reduces their individual freedom. It puts strong pressures on individuals to accommodate the needs of friends and relatives and creates a presumption that they will in turn accommodate the individuals' needs.

In some societies (those closer to the polar case of the Indian village) the gross social capital of individuals, as we have defined it, will be particularly large. The examples of the *guanxi* in China and the relations in the Indian village all reflect the existence of social capital. The net social capital of individuals is likely to be unevenly distributed. This net social capital will play a large role in determining the distribution of income within countries. The existence of social capital is likely to interfere with arm's length circumstances, to lead to corruption.

IV. On Corruption

Not long ago the word corruption was infrequently used in professional works although the problem reflected by its existence is obviously a very old one¹³). That word did not appear often in newspapers and it was rarely mentioned by economists even though sociologists, political scientists, and a few economists did pay some attention to it. Very few economists spent much time assessing its economic significance¹⁴). Recent newspaper articles indicate that this phenomenon is far more widespread and universal than previously thought. Evidence of it is everywhere, in developing countries and, with growing frequency, in industrial countries. A perusal of recent daily newspapers would show that this problem has attracted a lot of attention in Brazil, France, Germany, Greece, India, Italy, Japan, Korea, Russia, Spain and many other places¹⁵). Prominent Political figures, including presidents of countries and ministers, have been accused of corruption and, as a consequence, some have resigned or have been forced out of office.

Corruption comes in many shapes and forms. It is very difficult to define

13) Writing more than two thousand years ago, Kautilya (Prime Minister of a state in northern India) wrote in the Arthashastra (New Delhi : Penguin Books, 1991) that "just as it is impossible not to taste honey or poison that one may find at the tip of one's tongue, so it is impossible for one dealing with government funds not to taste, at least a little bit, of the King's wealth." The quotation is on p. 281.

14) There is, of course, some economic literature on it but much less than one would have expected from the importance of the phenomenon.

15) In countries without a free press, of course, newspapers may have been prevented to report on it.

and at times it is definitions have appeared in the literature but none seems to be fully satisfactory¹⁶⁾. Here we shall simply define it as the intentional noncompliance with arm's length relationship aimed at deriving some advantage, for oneself or for related individuals, from this behavior. In the Danish village described by Professor Reddy, if corruption existed, it would reflect the isolated acts of particular individuals who would try to take advantage of their positions for personal gain. In other words it would reflect a clearly, unwarranted and antisocial behavior not induced by social pressures or prevailing social norms. In this case its identification might be easier since the victims of this corruption would be more likely to report the perpetrators. Its punishment would also be easier since it would conform with generally accepted social norms. However, in societies with close social or interpersonal relationships, its frequency is likely to be greater, its identification much more difficult and its punishment more problematic. This implies that the models of criminal or illegal behavior of the type pioneered by Becker(1968) and by Allingham and Sandmo(1972) will be of limited applicability since some of the requirements of those models(knowledge of probability of getting caught and knowledge of the penalty) would not be satisfied.

16) See, for example, the various definitions given on page 2 of Theobald's book, *op. cit.* or in Klitgaard (1988, pp. 21~24). A famous definition is the one given by the Indian Penal Code, a person is guilty of corruption who "being or expecting to be a public servant, accepts, or obtains, or agrees to accept, or attempts to obtain from any person, for himself or for any other person, any gratification whatsoever, other than legal remuneration, as a motive or reward for doing or forbearing to do any official functions, favor or disfavor to any person or for rendering or attempting to render, any service or disservice to any person."

The term corruption comes from the Latin verb to break, rumpere. It, thus, implies that something is broken. This something might be a moral or social code of conduct or, more often, an administrative rule¹⁷⁾. If it is the latter, a requirement must be that the rule that is broken is precise and transparent. Another is that the official who breaks it derives some recognizable benefit for himself, his family, his friends, his tribe or party, or some other relevant group. Additionally, the benefit derived be seen as a direct quid pro quo from the specific act of "corruption". This simple description reveals several potential difficulties.

First, there must be evidence that a precise rule is broken. This requires that all the rules must be precisely stated, leaving, thus, no doubts about their meaning and no discretion to the public officials. But what about cases where the rules are not precise or where the bureaucrats are specifically given some discretion? For example, in many countries legislation related to the granting of tax incentives or import licenses has often left a lot of discretion in the hands of the officials who must make the decisions to grant them. They must decide whether an investment or an import is "essential" or "necessary" to the country. These officials are often the sole interpreters of what those terms mean. Thus, in a way, they are in a position of monopoly since they can grant or deny these permits and these permits cannot be obtained from other sources. Or, taking a different example, what about the selection of a tax return for an audit;

17) This already points to the difficulty faced when the behavior expected from the moral or social code conflicts with that from the administrative rule. Saying that the administrative rule should always prevail opens up a lot of other difficulties not discussed here.

or, the selection of an enterprise for an in sight tax inspection when there are no precise rules for making these choices? Or the hiring of a new employee when there are no precise objective and honest tests for the selection?

Over the years there has been a lot of controversy among economists on whether economic policy should be guided by precise rules or should have an element of discretion¹⁸⁾. It is evident that the greater is the element of discretion, the greater is the possibility that it might be used to someone's (rather than the public's) advantage. Thus the possibility of corruption would seem to create a presumption in favor of precise and rigid rules ¹⁹⁾. But, of course, the creation of such rules can itself reflect an attempt on the part of some officials to benefit in a large way from that creation. Some rules may be created just to give some government officials the power to benefit from their applications. Often, it is precisely the excess of rules that creates a fertile ground for corruption. Furthermore, the lack of discretion can make the rules too rigid and create obstacles to the well functioning of the economy or the particular organization. At times

18) This controversy has usually related to major macroeconomic decisions such as the growth of the money supply, the size of the fiscal deficit, and so forth. However, in recent years the public administration literature has also shown a distinct preference for rule-based administrations.

19) Perhaps this explains why some countries apply strict objective criteria for promotions (years of service, specific educational achievements, etc.) while others rely on the judgement of the supervisors as to the performance of their subordinates. In general Anglo-Saxon countries seem to prefer the latter option while countries such as Japan, France, Italy and some others seem to prefer a system based on more objective criteria, such as seniority, education, etc.

workers who have wanted to embarrass an organization have complied rigidly with the existing rules bringing the organization to a stand still²⁰).

Second, when social relations tend to be close and personal, it may be difficult to establish a direct link between an act that could be assumed to reflect corruption and a particular payment for it. An employee who uses his official position to favor an acquaintance --say helps him or her get a valuable license, a government contract, or a government job--may be compensated with an immediate or explicit payment (clearly a bribe). Alternatively, he may be compensated, at a much later time, with a generous gift to his daughter when she gets married; or with a good job offer for his son when he completes his studies. In other words, there may not be any direct, explicit, and immediate compensation for the favor. The payment may be delayed in time and, when made, it may appear completely unconnected with the favor received²¹). In many cases the "corrupted" and the "corruptor" may never even have discussed the payment. It would simply be understood that a favor today creates a presumption or even an obligation for a reciprocal favor later. In other

20) Some writers have argued that corruption can contribute to growth when existing regulations are too rigid and too stifling. Presumably corruption is the equivalent of introducing discretion in the application of the regulations. The same argument has been made about the contribution of the underground economy to growth. By getting around the many government-imposed restrictions, underground activities are supposed to give the economy a dynamism that it would otherwise not have. See various papers in Tanzi (1982).

21) It has also been reported that in some Asian countries members of parliament or other public sector employees are at times given envelopes with cash from businessmen, not for any specific immediate favors but for possible future favors (Pye, 1985).

words, it contributes to the growth of the giver's "social capital." In some societies a shadow market for favors develops with demand and supply and with implicit prices. This market which often does not use money but trades in what could be considered the equivalent of "I owe you" could lend itself to economic analysis. Implicit prices for favors are established and possibly even discount rates for future favors. A kind of honor system guarantees that favors received today will be repaid tomorrow. In this market, it becomes very difficult to separate genuine favors from favors that are close to being bribes and is thus difficult to clearly identify bribes and punish those who receive or pay them.

This takes us to the third and final difficulty. In societies where family, or other kinds of relationships are very strong and especially where existing moral or social codes require that one helps family and friends, the expectation that the public employee will routinely apply arm's length principles in his relations with friends and relatives is unrealistic. In these societies the Weberian type of ideal bureaucracy will prove very difficult to install. Century old and widely accepted social norms will often prove more powerful as guides to behavior than new and often imported rules based on arm's length, impersonal and universalistic principles. When this reality is ignored, disappointment is likely to follow. This explains why some reforms imposed by foreign powers or promoted by foreign advisors, which may implicitly require or assume arm's length relationship, often do not survive the test of time.

In these societies , the cost of the corrective role of the government in the market is likely to rise. Economic relationships within the private

sector will also be affected, thus rendering more difficult the establishment of a well working market economy²²). To argue that the personal relationships that come to be established between public sector employees and individual who deal with them reflect a "corrupt" society may be correct in a legalistic sense but it misses the point that these relationships simply reflect different social and moral norms.

The instruments that make corruption possible are many. Important examples include: (a) regulations (such as the issuance of licenses of various kinds; zoning and other sorts of regulations which may have great economic value; permits of various kinds) ; (b) fines for alleged or actual violations of existing legal norms; (c) control over procurement contracts; (d) control over public procurement contract (roads, airports, bridges) which can benefit some areas over others, and some contractors over others; (e) programs related to the provision of tax incentives, subsidized credit; overvalued foreign exchange; (f) controls over hiring and promotions; (g) controls over the assignment of entitlements and other benefits (pensions for disability, scholarships , subsidies), (h) controls over access to underpriced public services (electricity, telephone, water); (i) tax administration decisions (auditing, determination of presumptive income, etc.)

These examples are far from exhaustive. The greater is the use of these

22) It is worthwhile to reflect on why arm's length relationships are not fully operative in Japan or why the privatization of state enterprises is proving so difficult in previously planned economies. The role of personal relationships is clearly important.

instruments by a country, the greater will be the potential for corruption. Control over these instruments can give government employees great power which, given the right social environment, the right incentive system, and weak and uncertain penalties, may allow them to extract large rents for themselves or for their families and friends. Gary Becker's analysis of crime, or Allingham and Sandmo's analysis of tax evasion, can be applied to the analysis of corruption when it occurs in an environment more like that of the Danish village than that of the Indian village. In the latter case , the difficulty of identifying many acts of corruption, of proving that a bribe has actually been paid, and of inducing society to apply significant penalties to these acts is likely to reduce the relevance of that analysis.

V. Economic Consequences of Corruption

When civil servants appropriate, for their own use, the instruments that the government has at its disposal to influence the economy and to correct the shortcomings of the private market, they reduce the power of the state and its ability to play the intended and presumably corrective role. In a way this represents a privatization of the state where its power is not shifted to the market, as privatization normally implies, but to government officials and bureaucrats. This will inevitably damage the functioning of the market.

Assuming that government policies had been or would have been guided by the traditional criteria that justify governmental action²³⁾, corruption distorts the end result in several ways.

It distorts the allocative role:

- By favoring taxpayers who, because of the special treatment they receive from tax inspectors, are able to reduce their tax liability. If the statutory tax system had been designed to be neutral, corruption will not only reduce the revenue collected by the government but it will also destroy the tax system's neutrality by giving a competitive advantage to some producers over their competitors. The loser will be the well functioning of the market.

23) This is, of course, a big assumption which is unlikely to reflect reality in many cases. The corrective role of the state relates to the allocation of resources, the redistribution of income, and the stabilization of the economy.

- Through the arbitrary (i.e., non-arm's length) application of rules and regulations thus giving preferences to some individuals over others. This may be particularly important in the allocation of import permits, subsidized credit, zoning permits, and permits related to various economic activities: If, for example, these instruments had been developed to assist genuine "infant industries" but end up assisting others, the corrective role of the governments would be distorted and once again the functioning of the market will be damaged.

- Through the allocation of public work, or procurement, contracts to enterprises which win the competition not because they can do the job at the least cost but because of their connections and the bribes they pay²⁴).

- Through the arbitrary hiring and promotion of individuals who would not have been selected or promoted on the basis of fair and objective criteria. The selection of these individuals will damage the economy not only by lowering the quality of the decisions made by them and by increasing the frequency of mistakes but also by discouraging more able but less well connected individuals from pursuing particular careers if they

24) For the public works budget a key question is whether it is only its allocation that is affected or its size. It is possible that more spending is allocated to investment projects because they allow for the transfer of large amounts through bribes. There is a strong suspicion in some countries that capital spending is often inflated by kickbacks. See (Tanzi 1991, chapter 3). It is now evident that a substantial share of Italy's public investment budget, which had been one of the highest among the OECD countries, was de facto a transfer payment to political parties and to individuals. To capitalize on this aspect in 1993, the Ciampi Government tried to reduce the budgetary allocations for capital spending by asking the various ministries to renegotiate public works contracts so as to remove the inflating effects of bribes.

feel that the decks are stacked against them. In societies where the best jobs are seen to be in the public sector and where these jobs go disproportionately to those with special connections²⁵⁾, the incentive to work hard in school and to get a good education for those without these connections will be reduced, thus lowering the growth potential of the economy. The market for labor is obviously distorted.

◦ Some individuals will try to get jobs not in the areas in which they might use their particular ability for productive use but in areas which provide more scope for higher rents. Rent seeking activities will be stimulated by corruption. The official wage will not play a significant role in attracting individuals to particular jobs if it diverges much from the total earnings that a particular position allows. In a South Eastern Asian country, for example, over the years the proportion of individuals taking the exam to become income tax inspectors has increased sharply in spite of the low wages that these jobs pay. At the same time the proportion of those taking exams for better paid foreign service jobs has fallen. The reason seems to be that those who take these exams have sensed that the low-paying positions as tax inspectors can generate substantial extra earnings. There have even been reports that at times, in particular countries, some jobs with clear potential to earn high rents have either been sold or have been auctioned by those with the power to assign them²⁶⁾.

25) In Italy, these individuals are often referred to as "pacchi raccomandati," i.e., registered packages which always reach their destination. A recent book has documented the extent to which nepotism has been prevalent in the Italian public life of recent years. See Locatelli and Martini, 1991. The English translation of the title of the book is : My Father Sends Me.

26) For example, Remnick (1994, p. 184) reports that in the Soviet Union: "... even

Baumol(1990), and, independently, Murphy, Shleifer, and Vishny(1991) have argued that in any society the few individuals with significant managerial skills, and thus with the greatest potential to contribute to growth, will gravitate towards activities likely to generate the highest rate of returns regardless of whether these are productive or rent-seeking activities. If corruption allows some of them to gain more by pursuing rent-seeking than more productive activities, they will pursue the former. The loser will be the performance of the economy.

Corruption distorts the redistributive role of the government in myriads of ways. If the well connected get the best jobs, the most profitable government contracts, the subsidized credit, the foreign exchange at the overvalued rates and so forth, and if they are able to reduce their tax payments by bribing officials, it will be less likely that the activity of the governance will improve the distribution of income and will make the economic system more equitable²⁷⁾.

Finally, in all its ramifications, corruption is likely to have negative implications for the stabilization role of the government, if that role requires, as is often the case, a reduction of the fiscal deficit. This will occur because corruption will most likely raise the cost of running the government while it will reduce government revenue. For example, the allocation of disability pensions to people who are not disabled; of

high Party positions were for sale. The magazine Smena("Change") reported that the position of regional Party secretary cost a bribe of \$150,000, and an Order of Lenin...cost anywhere from \$165,000 to \$750,000."

27) This may explain why some countries have at times introduced quotas for the less privileged.

unemployment benefits to people who are not unemployed; of government contracts to people who pay a bribe on the contracts and thus raise their costs; the increase in unproductive capital spending often promoted by those who get "commissions" for capital project; and the many other ways in which corruption distorts spending decisions must very likely raise total government spending in relation to the benefits that the economy receives from that spending²⁸). By the same token, government revenue falls when some of the potential tax payments to the government are diverted or are never collected. In some developing countries, the effective tax burden (i.e., the ratio of all tax-related payments by taxpayers to national income) may be significantly higher than the official tax burden because some payments end up in the pockets of the tax inspectors.

There is a corrosive quality to the effect of corruption. Given the fertile ground created by close interpersonal relations, there is a learning-by-doing aspect that almost guarantees that, in a country where regulations are widespread and public sector intervention is large, corruption will grow over time. The civil servants who begin to bend the rules for close friends and relatives will in time begin to break them thus exploiting their monopoly positions. The belief that everyone does it is likely to lead to a situation where, if not everyone, many will do it. As with tax evasion, imitation will prove to be a powerful force.

Governments that come to power with strong idealistic or even with a

28) In other words, corruption is likely to increase the capital output ratio or the total cost of providing government services. It should probably enter as a variable in production functions especially when its impact is changing over time.

revolutionary agenda may be able for a while to rely on that idealism or revolutionary fervor to contain the spread of corruption. However, as that idealism or fervor begins to dissipate, behavior associated with corruption will appear and eventually spread. This is likely to have happened to the centrally planned economies. For a while they did not seem to be affected by corruption more than other countries. However, with the passing of time, the revolutionary spirit abated and corruption spread. The fact that the role of the government in the economy was overwhelming provided a fertile ground for the spread of corruption. By the time these regimes collapsed the effect of corruption was felt through most economic activities.

VI. Policy Implications

Several factors are likely to determine the extent to which corruption will play a significant role in a country. These are: (a) the role of the state and the range of instruments it uses to pursue that role; (b) the social characteristics of the society, i.e., the extent to which arm's length relationships prevail in social and economic relations, (c) the nature of the political system; and (d) the penalty system for acts of corruption that are uncovered.

In some countries corruption is prevalently an activity of the political leaders. In others, it is prevalently an activity of the civil servants. In still others, it is an activity of both. In a truly democratic system, with checks and balances exercised through fair elections, through the Parliamentary process, and through a vigorous free press, the extent of corruption by the political leaders will generally be checked or, at least, it will eventually be discovered and hopefully controlled. Corruption will exist but it will rarely reach the extreme level reached in some authoritarian governments(see Harsch, 1993)²⁹). Therefore, if, as it has been argued in a recent bestseller, the inevitable course of history is to transform authoritarian into democratic governments, because of this change, the future should experience less corruption than the past or even the present(see Fukuyama, 1992). But let us consider the other factors that determine corruption focussing mainly on the role of the state and on the social characteristics

29) See also Klitgaard(1990) and Remnick(1994).

of the countries' citizens.

Especially in societies where arm's length relationships are unlikely to be enforceable (because of the close and continuous contacts among closely-knit groups of citizens who tend to personalize most relations), the larger is the role of the state, the greater is the probability that its instruments will be used by public officials and civil servants to favor particular groups in addition to themselves. When this happens, the cost of government rises and its ability to correct the shortcomings of the market falls. In other words, the effective control that the government has on the economy is reduced³⁰). In this situation the best policy to reduce corruption will be a reduction of the opportunities to engage in it by scaling down the government's role in the economy. Both the demand for and the supply of corruptive practices can be contained by a sharp reduction of that role in all its aspects, i.e., spending and taxing activities and, especially, in economic regulations. It is no accident that in centrally planned economies, where regulations of economic activity were most widespread, corruption seemed to be a far more common occurrence than in many other countries and to affect not just the bureaucracy but the whole machinery of government. In his Pulitzer Prize winning account of the last days of the Soviet Empire, David Remnick writes that: "The Communist Party apparatus was the most gigantic mafia the world has ever known" and that "the Party's corruption under Brezhnev was not a

30) In a powerful book, MacMullen(1988) has argued that the Roman Empire declined because, due to widespread corruption, the government lost control over its instruments of policy.

matter of exception...(p. 183). "But in the Soviet Union no economic transaction was untainted. It was as if the entire Soviet Union were ruled by a gigantic mob family; virtually all economic relations were, in some form, mafia relations(p. 185)³¹).

Unfortunately, in countries that had been centrally planned, the process of reducing the role of the state in the economy(by freeing prices, by privatizing state enterprises, etc.) may itself produce enormous opportunities for bureaucratic corruption during the transition when the institutions necessary to limit it have not been developed while the habits developed in the previous period may not have changed³²).

When corruption characterizes modern states in the Weberian sense, it can be reduced by increasing penalties on those who engage in it, by increasing the transparency of the rules, regulations, and laws, and by strengthening audits, checks, and other controls on the civil servants. In this environment, the analysis suggested by Becker will be relevant. However, when it characterizes more traditional societies, this option, while still worth pursuing, is not likely to give by itself very positive and, especially, permanent results. History is full of examples of campaigns

31) Campbell(1991) has reported that, "In the USSR at the end of, the eighties about 18 million households had telephones, while there were 15 million households on the waiting list for them. The people who finally get a telephone installed tend to be those with special political influence or those who can offer bribes." p. 71. See also the chapter by Grossman on the USSR in Tanzi (1982).

32) South China Morning News(October 26, 1993 p. 1) has reported the Chinese government announcement of an active corruption crackdown "to halt the collection of illicit payments from among the mainland's staggering 1.11 million categories of government fees."

against corruption (and against tax evasion) that started with great fanfare but that, over the long run, did not accomplish much. By the same token, one should not officially sanction corruption by, for example, reducing the wages of the civil servants on the assumption that they are getting payments under the table. In an African country, for example, three years ago, the government reduced to zero, for six months, the wages of customs officials on the assumption that "they could take care of themselves"³³). Unrealistically low wages always invite corruption and at times lead society to condone acts of corruption. This is the reason why repression of public sector wages, if carried too far, is never a good policy.

Because it is social intimacy that creates the environment that promotes corruption, a policy that has been effective in some cases (for example in tax administration) in reducing corruption is that of forced and periodic geographical mobility for civil servants, in order to remove them from the region where they have their closest social or family relations and to prevent the formation of new relations. Some forms of social relations take time to develop so that for a while, after a government official has moved to a new region or to a new function, they will not play a large role in the contacts between the bureaucrats and the citizens who depend on them. Thus, periodic mobility, especially in a large country, could be an effective policy to reduce bureaucratic corruption. It is no accident that in large countries, such as the United States, corruption is more a problem for local governments where bureaucrats and citizens often know each

33) Sandbrook has reported a speech by President Mobutu Sese Seko to Zairian civil servants in which he stated: "if you want to steal, steal a little in a nice way." (See Sandbrook, 1986, p. 95)

other and where arm's length relationships are less likely to prevail. In general, one can speculate that the larger is a country and the more mobile is the population, the less of a problem will corruption be.

VII. Concluding Remarks

Economists have developed elaborate and elegant theories about the workings of markets and the role of public sector's action in those markets. A normative role has been assigned to the government aimed at correcting for market failure: Public choice economists have, in recent years, stressed that, in addition to market failure, one could also have political failure when political action or the action of civil servants are influenced by objectives other than the need to correct market failures and to promote the public interest

Over the past decade, economists have begun to pay some attention to phenomena that were largely ignored in earlier periods such as underground economic activities, tax evasion, money laundering, and corruption. These represent the dark side of the economy. All these activities have major implications for the functioning of markets. When these activities are present, markets do not operate efficiently. Acts of corruption by public sector officials often play a role in promoting or sustaining underground economic activities and in facilitating tax evasion and the laundering of dirty money. These acts are facilitated or even stimulated by close interpersonal relations that characterize some societies. They are also facilitated by the many instruments that governments use to promote their often very active role in the economy.

Given the existence of close interpersonal relations in a society, and given that a government is pursuing a very active role in the economy

thorough various policy installments that lend themselves to be used by some public sector employees for personal gains, corruption is likely to grow with the passing of time. The passage of time will submit public sector employees to growing pressures from friends, acquaintances, relatives or simply those who want to buy favors from them; and the passage of time will teach some government officials(those who are more likely to abuse their power) how to take advantage of the situation³⁴). This may explain why corruption grew over the years in centrally planned economies and in some of the economies which tried to promote a welfare state.

34) Citing once again from Remnick's book: "That was one of the most degrading facts of Soviet life: it was impossible to be honest."(p. 185)

References

- Allingham, M, E., and A. Sandmo, "Income Tax Evasion: A Theoretical Analysis," *Journal of Public Economics*, Vol. 1, No. 3-4, November 1972, pp. 323~338.
- Arrow, Kenneth, *Social Choice and Individual Values*, New York : Wile, 1951
- Baumol, "Entrepreneurship : Productive, Unproductive and Destructive," *Journal of Political Economy*, Vol. 98, No. 5, 1990, pp. 893~921.
- Becker, Gary, "Crime and Punishment : An Economic Approach," *Journal of Political Economy*, Vol. 76, No.2, 1968, pp.169-217.
- Campbell, Robert, *The Socialist Economies in Transition*, Bloomington : Indiana University Press, 1991
- Coleman, James Samuel, *Foundations of Social Theory*, Cambridge, Massachusetts: Belknap Press, 1990
- Dunn, Sheryl Wu, "China Sells Off Public Land to the Well-Connected," *The New York Times*, May 8, 1993.
- Fukuyama, Francis, *The End of History and the Last Man*, New York: The Free Press, 1992
- Goode, Richard, *Government Finance in Developing Countries*, Washington: the Brookings Institution, 1984
- Grossman, Gregory, "The Second Economy of the USSR," in Tanzi, 1982
- Harsch, Ernest, "Accumulators and Democrats : Challenging State Corruption in Africa," *The Journal of Modern African Studies*, 31, 1,

1993, pp. 31~48.

Jennings, Veronica T., "Sex Drove Promotions at N.I.H. Unit, Report Says,"
The Washington Post, May 8, 1993, p. 1.

Kautilya, *Arthashastra*, New Delhi : Penguin Books, 1991

Klitgaard, Robert, *Comptrolling Corruption*, Berkeley: University of
California Press, 1988

———, *Tropical Gangsters*, Basic Books, 1990

Locatelli, Goffredo e Daniele Martini, *Mi Manda Papa*, Milano: Longanesi
& Co., 1991

MacMullen, Ramsay, *Corruption and the Decline of Rome*, New Haven:
Yale University Press, 1988

Mueller, Dennis C., *Public Choice II*, revised edition, Cambridge :
Cambridge University Press, 1989

Murphy, Kevin M., Shleifer, Andrei, and Vishnny, Robert, "The Allocation
of Talent. Implication for Growth," *Quarterly Journal of Economics*,
May 1991.

Musgrave, Richard A., "The Voluntary Exchange Theory of Public
Economy," *Quarterly Journal of Economics* Vol. 53, No. 2, pp. 213~
237.

———, *The Theory of Public Finance*, New York: McGraw Hill, 1959

Pye, Lucian W., *Asian Power and Politics: The Cultural Dimensions of
Authority*, Cambridge, Massachusetts : Belkna Press, 1985

Remnick, David, *Lenin's Tomb : The Last Days of the Soviet Empire*,
New York : Vintage Books, 1994

Samuelson, Paul, "The Pure Theory of Public Expenditure," *Review of*

- Economics and Statistics*, November 1954, 36, pp. 336~339.
- Sandbrook, R., *The Politics of Africa's Economic Stagnation*, Cambridge : Cambridge University Press, 1986
- Stiglitz, Joseph E., *The Economic Role of the State*, Oxford: Basil Blackwell, 1989
- Tanzi, Vito(eds.), *The Underground Economy in the United States and Abroad*, Lexington: D.C. Health and Company, 1982
- , *Public Finance in Developing Countries*, Aldershot : Edward Elgar, 1991
- Theobald, Robin, *Corruption, Development, and Underdevelopment*, Durham, North Carolina : Duke University Press, 1990
- Weber, Max, *The Theory of Social and Economic Organization*, London: The Free Press of Glencoe, 1947
- , *Economy and Society*, Berkeley: University of California Press, 1978, two volumes.
- Wong, Kar-Yiu, "Inflation, Corruption, and Income Distribution: The Recent Price Reform in China," *Journal of Macroeconomics*, Winter 1992, Vol. 14, No. 1, pp. 105~123.

개원 4주년 기념 심포지엄 / 제2주제

공공부문 생산성 제고를 위한 예산제도의 개선

柳 一 鎬

(韓國租稅研究院 副院長)

본 논문에 실린 내용은 필자 개인의 의견을 반영한 것이며, 한국조세연구원의 공식적인 견해와는 무관함

목 차

I. 서론

II. 예산제도의 개선방안

1. 성과관리의 강화

2. 경상경비 관리의 개선

3. 사업비 관련 예산제도의 개선 :

계속비 및 국고채무부담행위의 활용확대

4. 다년도 예산편성

5. 지방재정조정제도의 개편

6. 기타 개선방안 :

수입유보권 허용 및 회계제도의 개선

III. 요약 및 결론

참고문헌

I. 序論

정부의 경제적 역할 또는 시장개입이 어디까지 가능하며, 어느 정도까지가 바람직한 것인가라는 문제는 공공경제학의 가장 핵심적인 과제이다. 정부의 시장개입의 불가피성은 잘 알려진 바대로 공공재의 존재, 외부효과, 정보의 비대칭성 등 이른바 「시장의 실패」에서 비롯되지만 클럽이론, 재산권 설정 등을 통해 전술한 문제들이 시장기구 내에서 상당부분 해결될 수 있으므로 정부의 역할은 이러한 제도적 뒷받침을 하는 데 그치고, 시장에 대한 직접적 개입을 가급적으로 자제해야 한다는 주장도 그 지지기반을 넓혀 왔다.

특히 후자의 입장의 연장선상에서 최근의 공공부문의 생산성 제고에 관한 논의가 활발히 진행되고 있다. 즉, 소득분배를 포함한 광의의 시장의 실패를 교정하기 위한 정부역할의 강조는 필연적으로 공공부문의 비대를 가져왔으며, 이는 「정부의 실패」라는 또다른 비효율을 초래하게 되었기 때문에 생산성의 제고를 통한 효율증대를 촉진해야 한다는 것이다. 그런데 이와 같은 정부의 실패의 근본원인은 바로 시장구조에는 존재하지만 정부에는 없는 것, 즉 경쟁의 부재 때문이다. 정부서비스의 특성상 불가피한 독점성은 만약 그 서비스가 경쟁시장에 의해서도 공급될 수 있는 것이라면 비효율적인 결과를 초래할 것이라는 점은 자명한 일이며, 따라서 공공부문 생산성 제고의 핵심은 경쟁적 요소의 도입에 있다고 할 수 있다.

이와 같은 인식하에 선진 각국은 대대적인 공공부문의 개혁을 추진하고 있다¹⁾. 이러한 개혁을 일찍 단행한 뉴질랜드의 경우 이미 20년에 걸친 정부 생

1) 선진국의 공공부문개혁에는 이외에도 막대한 재정적자의 누증이라는 보다 현실적인 이유도 있다. 공공부문생산성의 제고는 인원감축과 비용절감을 수반하므로 재정적자의 축소에 기여를 하는 것은 당연하다 하겠다. 실제 뉴질랜드는 적자축소에 큰 성과를 거둔 것으로 평가된다.

산성 제고 노력이 지속되고 있는 것이다. 그런데 공공부문의 개혁은 그 형태도 다양하며, 나라에 따라 진전의 속도 및 추진방향도 상이하다고 할 수 있다. 대체로 호주와 뉴질랜드 같은 대양주 국가들은 개편의 폭이 크며, 고위직 공무원의 계약제 도입같은 인사제도의 개혁, 조직의 축소, 산출예산제도의 도입, 발생주의회계제도로의 전환 등 공공부문 전반에 걸친 제도 개혁을 추진하고 있다.

이에 반해, 미국의 경우 연방정부 차원에서의 개혁은 이른바 「Gore Report」의 출판을 전후한 최근 3, 4년간에 본격적으로 추진되었고 그 범위도 예산에 있어 성과의 반영, 중앙정부업무의 지방 및 민간이양, 사업부서의 대국민서비스 기준 제정, 정책부서로부터 사업부서로의 인원 재배치 같은 비교적 소폭인 실정이다. 이 양자의 중간에 있는 사례는 영국·캐나다 등을 들 수 있으며, 독일·프랑스 등은 공기업 민영화라든가 사회보장제도의 개혁과 같은 분야에만 개혁이 국한되어 있다.

우리나라에서도 민간부문에 비해 현저히 낙후된 것으로 평가되는 정부부문의 생산성제고를 위한 다각적인 노력이 시급히 요청되는 시점이다. 이러한 개혁은 전술한 바와 같이 경쟁요소의 도입에 의해 해결되어야 하나 시장의 실패 가능성이 큰 부분에서는 정부의 독점적 서비스 공급이 불가피한 것이 사실이다. 이와 같이 경쟁요소 도입이 불가능하거나 곤란한 부분에서는 성과관리강화, 제도개선 등을 통한 非市場的인 생산성제고방안을 모색할 수밖에 없다. 따라서 정부가 독점적으로 수행해야 하는 기능의 물적기초가 되는 예산제도에 있어 이러한 개선방안의 마련이 특히 요구된다 하겠다.

우리나라의 현행 예산제도는 전형적인 투입예산제도로써 정부지출의 효과 또는 성과에 초점을 맞춘 것이 아니라 금전적 통제위주로 구성되어 있다고 할 수 있다. 이러한 제도는 해당 회계연도의 부당한 예산사용 또는 부정을 방지하는 데에는 효과가 있으나, 실제로 이루어진 정부지출이 효과적으로 사용되

는지를 분석할 수가 없으므로 방만하고 비효율적인 지출구조를 초래할 가능성이 크며, 신축성의 결여에 의해 예산상 낭비요인 제거 또는 비효율적 지출의 축소를 위한 노력을 기울일 유인이 없는 단점이 있다.

또한 대형 투자사업 추진에 있어 제도상의 미비에 의한 사업 지연, 사업비 증가 등 비효율적인 요인이 많고 지방재정의 운용에 있어서도 중앙정부의 과도한 통제에 의해 비효율이 노정되고 있는 형편이다.

이런점을 감안하여 본 연구에서는 이미 선진국에서 일부 시행되고 있는 성과 및 경상경비 관리를 위한 예산제도의 도입 및 강화방안을 모색하고 최근 논의되고 있는 사업비 관련 예산제도 및 지방재정조정제도의 개선방안을 모색하고자 한다. 이러한 논의는 선진국의 새로운 제도를 우리나라의 실정에 맞도록 적용하는 쪽에 중점을 두게 될 것이다.

II. 豫算制度의 改善方案

1. 성과관리의 강화

정부부문의 생산성제고를 위해서는 투입통제위주의 예산을 경제적 성과를 반영할 수 있는 제도로 전환하는 것이 필요하다. 그러나 정부지출의 성과 반영은 대단히 어려운 과제이며 과거 시도되었던 성과주의 예산제도는 이러한 난점때문에 결국 실패했다고 할 수 있다.

이와 같이 政府가 生産하는 公共서비스가 가져오는 經濟的 成果를 반영하기 어려운 理由로는 다음의 두 가지를 들 수 있다. 우선 私的財와는 달리 市場에서 交換되지 않기 때문에 市場價格이라는 尺度가 形成되지 않으며 이에 따라 추상적인 서비스의 內容을 投入側面으로부터 正確히 計算해내는 것이 대부분 불가능하거나 대단히 어렵다. 즉 막대한 정보비용(Information Cost)이라는 또 다른 비효율을 초래하는 것이다. 다음으로, 설사 產出 또는 직접적인 성과를 正確히 計量化해낼 수 있다 해도 이것이 실제 국민경제에 미치는 종합적인 영향, 즉 진정한 의미의 成果는 정부서비스의 속성인 공공재적 성격, 외부효과 때문에 측정할 수 없다는 점이다.

전술한 바와 같이 과거 도입된 성과주의 예산제도가 실패한 이유는 바로 여기에 있다. 대체로 엄청난 규모의 문서작업을 통해 계량해낸 產出에 근거한 예산배정은 그러한 예산지출이 가져오는 국민경제적 성과를 정확히 반영하지 못하여 오히려 자원배분에 또 다른 형태의 왜곡을 가져왔기 때문이다.

이런 문제점에도 불구하고 투입된 예산이 어떻게 사용되어 어떤 효과를 가져오는가를 測定하고 이에 따른 예산배정을 하는 것이 정부지출의 효율성을 제고한다는 당위성 때문에 성과가 반영되는 예산제도로 전환하기 위한 노력이

계속되어 왔다. 이렇게 成果中心의 예산제도로의 전환을 위한 방법으로는 어느 정도의 부정확성 또는 자원배분 왜곡을 감수하고라도 적절한 代理變數(proxy)를 사용하는 방안이 고려될 수 있다. 이때 유력한 代理變數로 흔히 算出을 사용하고 있는데, 이러한 산출은 물론 과거에 계량화되었던 산출보다는 훨씬 精緻하게 정의된 것들이다. 실제 뉴질랜드 또는 호주에서 시행하고 있는 산출예산제도는 이러한 논리에 근거하는 제도인데 이하에서는 이들을 분석·평가하여 우리나라에 적용여부를 분석하고자 한다.

우선 뉴질랜드의 산출예산제도를 간략히 설명하면 다음과 같다²⁾. 산출예산은 [그림 1]에 제시된 바와 같은 과정을 거쳐 산정이 되는데 여기서 중요한 것은 투입예산의 항별비용을 어떻게 특정산출물에 할당할 것이냐 하는 점이다. 사실이 과정은 회계학에서의 투입원가 산출과정과 동일하며, 회계학에서도 직접비용과 간접비용을 구별하여 계산하는 이 과정이 가장 문제점으로 나타나는 것으로 지적되고 있다. 특히 재량적부분이라고 할 수 있는 간접비용의 비율이 높으면, 정보로서의 有用性은 많이 떨어지는 것이 회계학상의 原理인바, 실제 뉴질랜드의 경우 간접비용이 차지하는 비중이 높다는 것도 문제가 되고 있다³⁾.

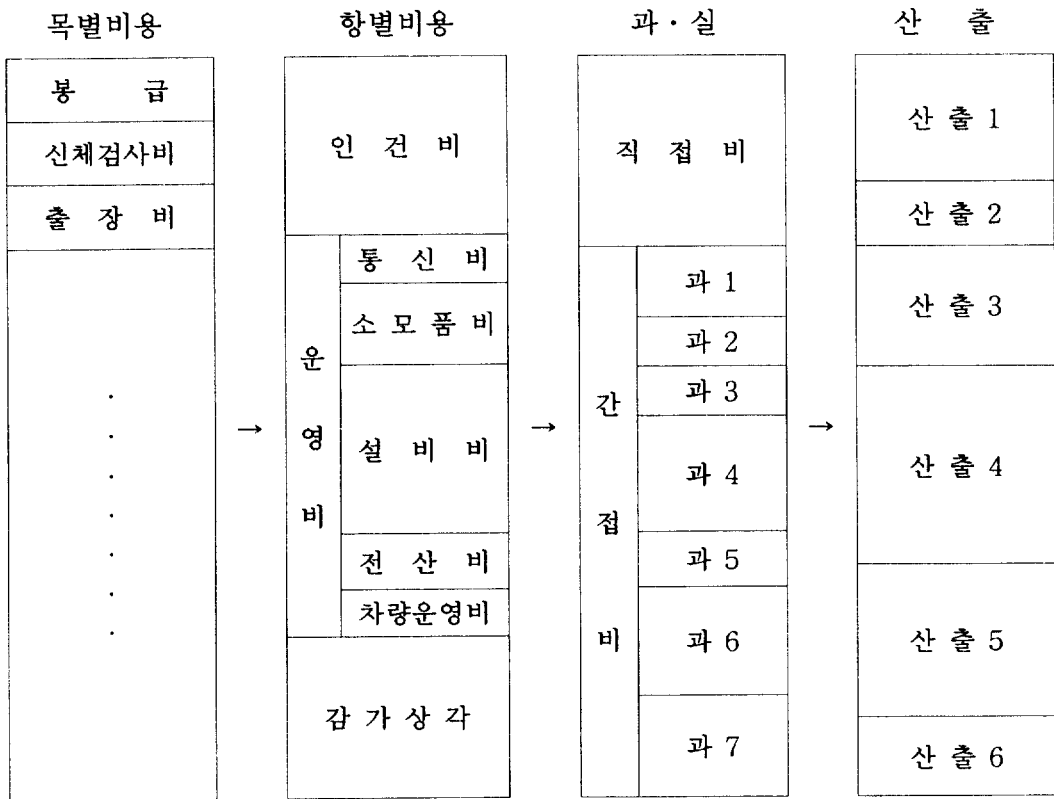
그러나 이 제도의 근본적 문제점은 이렇게 계량화한 산출은 전술한 바와같이 사실상 투입원가에 불과하다는 사실이다. 투입원가에 따라 예산을 배분한다면 기존의 투입예산과 본질적으로는 차이가 없다. 예를 들어 특정부처 A가 1,000원의 투입을 사용하여 10가지의 산출을 생산한다고 가정하자. 산출예산제도 하에서는 예산당국이 A부처로부터 1,000원의 산출을 구매하며, 기존의 투입예산제도 하에서는 1,000원의 예산을 배정하는 것으로서 그 형식만 다를 뿐

2) 자세한 내용은 이계식·문형표(編), 『정부혁신: 선진국의 전략과 교훈』, 한국개발연구원, 1995, 제2장 참조.

3) 전술한 이계식 박사의 논문에 의하면 직접비와 간접비의 비중이 1:2 정도임.

실제 A 부처에게 예산당국이 배정하는(또는 지불하는) 예산액수는 똑같은 1,000원이 된다. 그렇다면 이러한 산출예산제도는 기존의 투입예산제도와 다를 바 없는, 특별한 장점이 없는 제도인가? 그렇지 않다. 우선, 각 부처는 산출별로 예산을 배정받고 활용함으로써 기존의 투입예산제도가 가지는 과도한 통제, 즉 항목별 통제의 경우보다는 훨씬 많은 신축성을 가지게 됨으로써 효율성을 제고할 수 있다. 또한 이 제도하에서는 산출을 계량하기 때문에, 담당 공무원의 실적을 비교하는 자료들로 활용할 수 있으며, 나아가 인사 및 보수책정의 기본자료가 될 수 있다는 점이다.

[그림 1] 산출예산의 산정 과정(뉴질랜드)



자료 : 이계식·문형표(編), 『정부혁신: 선진국의 전략과 교훈』, 1995, 2장 p. 100.

다만, 이 제도는 그 성격이 판이한 부처간의 업무간 산출비교(예를 들어 100억원을 투입한 통상외교와 동일액을 투입한 교량건설간의 비교)를 할 수 없다는 점 때문에 정부의 전업무에 대한 객관적 투입-산출비를 측정할 수 없고 따라서 成果의 비교도 곤란하다는 점에서는 기존의 투입예산제도에 비해 뚜렷한 장점이 없다는 한계를 지적하고자 하는 것이다. 물론 이러한 한계 때문에 이 제도 자체가 가지는 장점 또는 이에 의한 효율성제고의 가능성이 부인되는 것은 아니다.

반면, 호주에서 부분적으로 도입하고 있는 성과주의 예산은 일차적으로 산출을 계산하여 이를 근거로 삼고 있다는 점에서는 뉴질랜드와 같지만 더 나아가 성과지표를 개발·활용하는 점에서 진일보한 점이 있다. 이러한 제도는 정확한 계량화만 수반되면 예산지출의 경제적 효과를 바로 측정할 수 있다는 장점이 있는 반면, 산출에 비해 그 측정이 훨씬 어렵다는 단점이 있다.

호주의 예산제도는 사업별 예산편성 및 관리(Programme Management and Budgeting: PMB)⁴⁾라고 불리는데 이의 내용을 간략하게 살펴보면 다음과 같다. 즉, 예산은 비목별이 아닌 사업별로 편성이 되며, 이를 위해 우선 각 부처 업무의 목표를 명확히 설정하고 이를 달성하기 위한 구체적인 산출을 규정한다. 바로 이점이 산출을 기초하고 있으면서도 뉴질랜드의 제도와 다른 점이다. 다음으로 이러한 산출물을 효과적으로 생산할 수 있는 사업(Program)과 하부사업(Subprogram)을 명시하며, 예산집행에 대한 사후평가도 지출자체가 아닌 사업성과 및 비용효율성에 중점이 두어진다.

이렇게 볼 때 이러한 제도의 정착을 위해서는 예산운영에 있어서의 신축성과 자율성의 확보와 아울러 정확한 성과지표(performance indicator)의 마련이

4) 이에 대해서는 이계식·문형표(編), 前掲書 3장 및 Samuel Kalinowsky, "The Government of Canada's Expenditure Management System", *Fiscal Reform in Korea and OECD Countries*(ed. by Kye-Sik Lee and Ilho Yoo), KDI, April 1996. 참조.

선행되어야 한다. 물론 성과지표의 마련은 누차 지적인 바와 같이 대단히 어려운 일이다. 그러나 이미 사용되고 있는 지표를 정밀화하여 성과지표로 사용하는 등의 방법이 있는데 후술하는 바와 같이 이것이 이 제도의 적용여부의 관건이 된다.

그러면 이 제도를 어떻게 우리 현실에 적용시킬 수 있을 것인가? 이미 살펴본 바와 같이 정부의 모든 활동에 성과관리를 위한 예산제도를 적용할 수 없다. 그러나 대형투자사업, 지방정부의 경제사업등에는 비교적 용이하게 이를 도입할 수 있을 것으로 판단된다. 이 경우 사용할 수 있는 수단으로는 전술한 바와 같이 비용·편익분석을 정밀화하는 것을 우선 고려할 수 있다. 비용·편익분석은 잘 알려진 바대로 보상기준의 설정, 지불의사를 대표하는 가격결정의 문제, 적절한 할인률 결정 등 선결되어야 할 문제가 많기 때문에 결코 간단하지 않다⁵⁾. 그러나 이미 대형투자사업의 추진에 있어 경제적 분석을 수행하고 있으므로 지금보다 더 객관적이고 정밀한 지표를 개발하는 것이 어려운 일이 아니라고 판단된다.

이와 같이 기존의 경제성 분석을 정밀화하는데 있어서는 겉으로 드러나지 않는 간접적 효과, 즉 공공재적 성격이나 외부효과를 얼마나 잘 포함시키느냐 하는 점이 관건이 될 것이다. 이는 경제성분석과 단순한 금전적 손익분기점을 파악하고자 하는 수익성 분석과의 차이점이기도 한데, 기존의 경제성 분석에서 취약한 부분으로 평가되고 있다. 따라서 이 부분의 지표를 객관화·정밀화하는 것이 요구되며, 이 작업에서의 성과여부에 따라 비용·편익분석의 성과지표로서의 효용성 여부가 결정될 것이다. 외국의 예로는 프랑스가 이러한 사업의 예산배정에 성과주의적 요소를 성공적으로 도입한 것으로 평가되고 있다.

5) 이에 관한 자세한 내용은 옥동석, 『정부대형사업의 선택과 예산편성』, 연구자료 95-20, 한국개발연구원, 1995 참조.

다음으로 비용·편익분석이 용이하지 않은 복지프로그램 등의 업무에서는 독자적인 성과지표의 개발을 고려할 수 있다. 예를 들어 미국에서 복지프로그램의 성과지표로 복지프로그램 수혜자 신분을 벗어나 자립하는 비율을 사용하고 있다. 그런데 이러한 성과지표를 가장 잘 개발하는 것은 이미 지적한 바와 같이 호주인바, 이 나라의 성과지표를 살펴볼 필요가 있다. 호주의 경우 보건·주택 및 지역서비스부의 예를들면 보건환경 개선정책업무의 성과지표로서 식품기준의 개발 및 변경을 위한 민간의 신청횟수와 신청안건에 대한 처리횟수와 처리방식을 사용한다. 이 예에서 알 수 있는 바와 같이 성과지표로는 계량화가 직접적으로 가능한 것만 있는 것이 아니라 「신청안건에 대한 처리방식」과 같이 임의의 등급을 매기는 것만이 가능한 지표도 있다. 호주는 이 경우 최우수부터 불만족까지 5등급으로 구분을 하고 있다. 따라서 비용·편익분석과는 달리 이러한 성과지표는 어느 정도의 자의성이 개재되기 마련이며, 상대적인 비교만이 가능하다. 이와 같이 성과지표의 개발은 바람직하고 가능하나 용이하지 만은 않다는 점을 감안할때 이의 활용에 있어서는 우선 시범적인 항목을 선정하여 적용을 한 다음 그 성과에 따라 이를 점차 확대해나가는 접근법을 사용할 필요가 있다.

아울러 이러한 成果測定이 어느 정도 가능한 경우 미국에서 활용하고 있는 성과기금(Performance-based fund 또는 Performance fund)제도를 도입하는 것을 고려할 수 있을 것이다. 이는 특정한 사업들의 다년간에 걸친 예산지출액을 하나의 기금으로 통합한 뒤 사업별 성과를 측정하여(전술한 복지 프로그램의 예가 이에 해당함), 높은 성과를 올린 사업에 기금의 일부로 조성된 보너스풀(bonus pool)에서 추가적인 자금을 지원하는 제도인바 성과와 예산지출을 부분적으로 연계하는데 효과를 보이고 있는 제도이다⁶⁾.

결론적으로 투입예산제도에서 성과를 중심으로 한 예산제도로의 변환은 불

6) 이에 대한 상세한 설명은 이계식·문형표(編), 前掲書 제5장 참조.

가피하다 하겠다. 이는 올바른 우선순위에 입각한 자원의 효율적 배분, 각 부처의 재량권 및 신축성 확대에 의한 효율성제고 뿐만아니라 항목별 통제, 전년 대비 증가율 통제 등을 위해 소요되는 엄청난 시간과 노력 등의 국민경제적 비용을 감소시킬 수 있다는 점에서도 바람직하기 때문이다. 다만 이 절에서 상술한 바와 같은 이론적·기술적 난점 때문에 예산제도 전반을 단기간에 걸쳐 변화시킬 수는 없고 시범적인 부처 및 사업을 선정하여 단계적으로 수행해야 할 것이다. 이미 지적한 바와 같이 그 한가지 방법은 비용·편익분석을 정밀화하는 것이고 다른 하나는 업무의 성격상 이 분석이 불가능하거나 대단히 어려워 다른 객관적 지표의 적용이 바람직한 복지프로그램 같은 경우는 성과지표를 사용한 제도를 활용하는 것이다. 이 경우 뉴질랜드의 산출예산제도와 같이 산출을 지표로 삼는 것보다는 호주형태의 제도를 원용하여 우리나라에 적용될 수 있는 지표를 개발해야 할 것이다⁷⁾. 그런데 이 경우 정밀화된 비용·편익분석과 성과지표로 측정하는 업무간의 직접적 성과비교는 불가능하다. 따라서 궁극적으로 양자를 조화시키는 방안마련이 필요할 것이다.

2. 경상경비 관리의 개선

경상경비는 사무실 관리비, 행정관리 등 공통적·일상적으로 지출되는 경비로서 특정사업을 추진하기 위해 지출되는 사업비와 구별되는 비목이다. 이러한 비용은 매번 예산편성시 특별한 심의가 필요하다기 보다는 반복적이고 자동적으로 계상이 될 수 있는 점에서 간편한 측면이 있는 반면, 그만큼 예산의

7) 이는 사회적 한계편익과 사회적 한계비용이 일치하도록 정부지출이 이루어져야 효율적이라는 기본적인 명제에서 출발한다. 후자는 지출규모로 측정이 될 것이고 전자는 산출이 아니라 성과로서 측정이 되어야 하기 때문이다. 다만, 이 경우 정부지출을 위한 재원조달자체가 가져오는 사회적 비용(死重負擔)이 고려되지 않는 문제점이 있다.

경직적 요인으로 작용될 수 있는 측면도 있다. 이와 같은 경직성·반복성은 필연적으로 습관성지출의 속성을 초래하게 하며, 따라서 경비절약의 유인도 매우 낮은 것이 일반적이다.

이러한 속성때문에 경상경비의 절약을 유도할 수 있도록 경상경비관리제도를 고안하는 것이 예산제도 개선의 주요과제가 되어 왔다. 일반적으로 전통적인 투입예산제도하에서는 경상경비의 비목을 가능한한 세분화하여 세항목들에 대한 용도 및 지출한도를 자세히 규정하고 비목간 전용을 엄격히 규제함으로써 경상경비 전체의 규모를 통제하고자 하였다. 그러나 이러한 통제는 잘 알려진 바와 같이 소기의 성과를 거두기 어려운데 그 이유는 첫째, 어차피 경상경비 사용의 정보는 사용자(즉 해당부처)가 더 많이 갖고 있으므로 예산당국이 통제를 해도 실제 절약될 수 있는 부분을 인지하여 절약시킬 방법이 없으며, 둘째, 예산편성시와 달리 실제 지출할때 항목간 전용의 필요성이 발생할 수 있는데 이 경우 전용의 허용에 의해 지출의 효율화를 달성할 수 있다는 점이다. 특히 우리나라의 현재 경상경비 관련제도는 이월에 제약이 많고 경비가 남을 경우 다음해의 예산삭감요소가 되는 등 경상경비를 절약할 유인이 매우 낮은 것으로 지적되고 있다.

따라서 효율성 달성을 위한 경상경비제도의 개선방안으로는 우선 비목을 통합하고 비목간 전용을 허용하여 지나친 세분화에서 오는 비효율을 제거하고자 하는 방안이 있다. 우리나라에서도 최근 이와 같은 제도개선이 이루어졌으나 아직 개선의 여지가 많다 하겠다. 다음으로 보다 중요한 개선방안으로는 해당부처, 즉 실제 경상경비지출의 주체에게 더 많은 신축성 및 재량권을 주어 이의 판단에 의해 효율적 지출을 하도록 하는 것을 들 수 있다.

그러면 이러한 개선방안으로 무엇이 있는가? 이에는 移越 및 借用의 활용, 경상경비한도제의 도입 및 확대, 비목간 전용의 확대 등의 방안들이 있는데 현재 호주에서 이러한 제도들이 대부분 도입되어 많은 성과를 거두고 있는 것

으로 평가된다.

우선 호주의 경우 회계연도간 移越 및 借用(Carryovers and Borrowings)제도를 활성화하고 있다. 이는 매년도 예산편성시 향후 3년간의 예산추계를 함께 제출토록 하고, 이 기간 중 예산규모를 변동시키지 않는 범위 내에서 매년 운영비 예산의 일부를 절약하여 차후 회계연도로 이월시키거나 또는 차후 연도로부터 차용도 가능하게 하는 제도로써 예산집행상의 불필요한 제약을 완화시키는 동시에 연말에 과도한 예산집행의 집중이 되는 것을 방지하는 장점이 있다. 호주외에도 영국, 캐나다, 미국 등은 정도의 차이는 있으나 모두 이월을 허용하고 있다(차용은 제외). 특이한 것은 뉴질랜드만은 이를 허용하고 있지 않다는 점이다.

그런데 이 제도 특히, 차용이 제대로 활용되기 위해서는 중기 또는 다년도 예산제도가 정착되어야 하며, 우리나라와 같이 단년도 예산제도를 사용하는 경우 차용에 엄격한 제한을 두지 않으면 오히려 경상경비규모의 확대와 같은 바람직하지 못한 결과가 나타날 수 있다. 따라서 단기적으로는 회계연도간 이월을 한정된 규모로 허용하고 다년도 예산제도의 추진과 더불어 이월 및 차용을 확대하는 것을 고려해야 할 것이다.

다음으로 우리나라에도 이미 도입된 경상경비한도제를 단계적으로 확대하여, 경상경비에 대한 부서장의 재량권을 확대할 필요가 있다. 이 제도는 호주 등에서 채택한 金額限度制(Cash-limited appropriation)와 유사한 것으로서 고정적이며 소규모적인 기본적 조직 운영경비를 편성하여 예산실이 이의 한도만 제시하고 사업별 세부내역은 한도내에서 각 부처가 자율적으로 편성하는 것이다.

이러한 제도를 도입하는 것은 물론 경상경비의 사용주체인 해당부처가 그 용도를 가장 정확하게 파악하며, 가장 효율적인 관리자라는 의도에서 비롯되지만, 이와같이 한도만 정하는 것은 예산편정 과정에서의 시간과 노력을 절약

하는 효과도 있다.

다음으로 전술한 바와 같이 비목의 통폐합, 전·이용의 확대도 지속적으로 추진할 필요가 있다. 호주의 경우 운영비와 사업비간에도 재무부 장관의 승인 여하에 따라 전용이 가능한데 이러한 방안의 채택이 적정한지에 대해서도 신중한 검토가 있어야 할 것이다.

지금까지 제시한 개선방안들은 기본적으로 각 부처의 재량권을 확대하는 방안들이다. 따라서 기존의 투입예산제도하에서의 엄격한 통제의 근거인 경상경비납용의 가능성이 오히려 더 증대하지 않는가 하는 우려가 있을 수 있다. 이러한 것은 경상경비의 관리라는 것이 해당부처와 예산당국간에 정보의 비대칭성이 존재하는 전형적인 주인-대리인(Principal-Agent) 문제인 한 피할 수 없는 점이나 본 연구에서는 현재보다 더 큰 재량의 부여 및 적절한 사후통제장치에 의해 훨씬 더 효율적인 결과가 나오리라는 것을 다시 강조하고자 한다. 이것은 이른바 수요표출메카니즘(Preference Revelation Mechanism)의 문제로 해결될 수 있는 방안일 수도 있다⁸⁾.

이렇게 대부분의 제도개혁방안이 자율성 및 재량권의 확대를 특성으로 하고 있으므로 이와 아울러 통제를 강화시키는 장치도 도입되어야 할 필요성이 대두 되었다. 이런 관점에서 현재 영국과 호주에서 사용되고 있는 이른바 효율성배당(Efficiency Dividend)제도에 대한 관심이 점증되고 있다.

호주의 효율성배당제도는 매년 승인된 각 부처의 경상경비예산액의 1%에 해당하는 금액을 절감하여 강제로 國庫에 반납토록하는 제도이다(영국은 2%). 이 제도는 이와 같은 강제적 규정에서 오는 직접적 효과가 큰 것으로 평가된다. 그러나 아울러 해당부처가 효율성 배당만큼 예산을 과다신청할 수 있는 가능성을 배제할 수 없으며, 1%란 수치가 理論적으로 뚜렷한 근거가 없다는 점 등의 문제점이 있다. 따라서 이 制度의 援用은 그 長·短點의 신중한 검토

8) 이에 관해서는 필자의 다른 논문에서 연구가 진행중임.

후에야 가능할 것이다.

3. 사업비 관련 예산제도의 개선 : 계속비 및 국고채무부담행위의 활용확대

우리나라의 대형투자사업의 수행에는 수많은 문제점이 있는 것으로 지적된다. 그 중에서도 특히 완공시점의 연장, 이에 따른 사업비의 증가, 기본설계까지 마친 사업의 백지화 등이 빈번하여 그 결과 국민경제적인 낭비와 비효율이 초래되는 것으로 평가되고 있다⁹⁾. 이러한 사태의 원인은 어디에 있는가? 여러 가지 이유가 있을 수 있으나 이는 주로 정치적 요구 등에 의해 매년 지출우선 순위가 낮은 사업까지 동시다발적으로 시행되어 모든 사업의 완공을 동시에 지연시키는 이른바 「분산투자」의 문제 때문인 것으로 평가된다.

정부가 사업내용을 확정할 때 최초계획서의 계획기간에 따라 그 사업의 수년간 총예산을 안정적으로 보장한다면 동시다발적 공사시행 및 이에 따른 사업완공의 지연, 즉 분산투자가 성립할 수 없으며, 이미 지적된 바와 같은 경제적 손실도 발생하지 않게 된다. 그러므로 분산투자에 따른 경제적 손실발생을 방지하는 가장 확실한 방법은 개별 사업에 대한 매년도 예산편성을 최초 계획과 같이 안정적으로 이루어지도록 하는 것이다.

그런데 현행 예산회계법상의 「장기계속공사」제도는 개별 사업에 대한 매년도 예산편성을 안정적으로 보장해 주지 않는다. 「장기계속공사」제도하에서는 대형사업의 공사가 수년간 진행되더라도, 사업 채택시 수년간의 총사업비를 정부가 미리 보장해 주지 않기 때문이다. 정부는 1차연도의 사업비만 배정해 주고, 그 이후 연도의 사업비에 대해서는 그 때의 상황에 따라 새로 책정을

9) 최근의 연구는 이에 의한 낭비가 1985~94년의 10년 동안 약 7兆원 이상인 것으로 추정하고 있다. 옥동석, 前掲書 참조.

하는 형식이다. 따라서 다음 해에는 사업비가 축소되거나 배정이 안될 수도 있으며, 심지어 사업 자체를 취소할 수도 있다.

현재 우리나라에서는 거의 모든 정부사업의 예산이 장기계속공사제도에 의해 편성되고 있다. 따라서 정부는 매년도의 가용예산총액과 시행중에 있는 사업의 수를 감안하지 않고서도 매년 신규사업을 추가할 수 있다. 이와 같이 장기계속공사제도하에서는 분산투자가 일반화되기 마련이다.

「장기계속공사」제도로 사업비 예산을 편성하면 사업의 완공을 합리적으로 예측할 수 없게 된다. 개별 사업의 연도별 예산이 착공단계에서 확정되는 것이 아니라 매년 그때 그때의 예산사정에 따라 좌우되기 때문에 정부사업의 완공시기를 예측하기가 매우 어렵다. 또한 사업에 대한 예산이 안정적으로 편성되지 않기 때문에 매년도마다 예산쟁탈전이 벌어지고 이미 着工된 사업의 진행마저 어렵게 된다. 따라서 이 제도하에서는 많은 사업의 완공시기가 지연되게 마련이다. 옥동석 박사의 연구에 의하면 1985~94년의 10년간 우리나라에서 계획대로 완공된 사업(지연기간이 0인 경우)의 비율은 약 20%에 불과하며, 50% 이상의 사업이 2년 이상 지연되어 완공되었다. 또 5년 이상 지연된 사업의 비율도 약 17%에 달하는 것으로 추정되었다.

우리나라에도 「계속비」와 「국고채무부담행위」와 같이 대형사업에 대한 예산 편성을 안정적으로 확보하는 제도가 있다. 「계속비」제도는 완성에 수년을 요하는 공하나 제조 및 연구개발사업의 경비 총액과 연간 사업비 금액을 미리 국회의 의결로 확정하는 제도이다. 한편 「국고채무부담행위」란 정부가 2년 이상의 장기대형공사를一括契約(민간공사의 경우처럼 시설물의 완공 전체를)한다면 그것에 대해서는 國庫債務負擔이 발생하는 것을 의미한다. 즉 공사의 1차연도에 계약상대자와 수년간의 공사를 請負(都給)하는 형식으로 일괄계약하고 정부가 수년간 채무를 부담하게 되는 것이다.

이들 제도하에서는 사업의 예산이 안정적으로 확보됨에도 불구하고, 우리나라

라에서 이들 제도의 이용은 극히 제한되어 있어 양부문 지출의 합계가 전체 예산규모의 2%도 못미치고 있다(<표 1>참조). 또한 적용건수도 줄어들고 있는데 계속비의 경우 교통시설특별회계의 기간국도사업에 한정되어 적용되고 있는 실정이다. 국고채무부담행위 역시 현재 우리나라에서는 대개 1~2년의 기간에 한정되어 사용되기 때문에 안정적 예산지원제도로서의 역할을 다하지 못하고 있다. 또 그 적용범위도 제한되어 사용되고 있는데, 각종 公館의 신축, 항공기 구입, 철도차량 보수비, 피복구입비 등에 주로 사용될 뿐 장기간이 소요되는 정부대형사업에서는 거의 적용되지 않고 있는 실정이다. 이에 반해 일본의 경우에는 <표 2>에서 볼 수 있는 바와 같이 계속비 및 국고채무부담행위에 의한 지출합계가 일반회계 총세출의 10%에 육박하는 것으로 추정된다.

그러면 왜 분산투자에 의한 비효율초래의 위험성이 높은 장기계속공사를 이 두제도 보다 훨씬 더 많이 활용하는가? 이에는 대체로 다음과 같은 두가지 근거가 제시되고 있다. 첫째, 개별 사업의 총사업비가 계속 증가하기 때문에 이를 固定시키는 것이 바람직하지 않다는 것이다. 다시 말해 사업내용이 변경되고 물가가 상승하면 총사업비가 증가할 수밖에 없기 때문에 총사업비를 한정하기도 어렵고 바람직하지도 않다는 주장이다. 둘째, 이 제도들은 차후 연도 예산편성을 경직시키기 때문에 경직성 자체가 가져오는 비효율 뿐 아니라 정치적 요구를 예산에 적절히 반영시키지 못하는 문제점을 가지고 있다는 것이다. 실제 경제적 필요보다는 정치적 필요성에 의해 남발되는 각종 지역개발사업공약을 수행하기 위한 예산배정을 배제할 수 없는 것이 현실이기도 하다.

그러나 이러한 근거들은 다음과 같은 이유로 인해 그 정당성을 인정받기가 어렵다. 우선 총사업비를 미리 확정시키지 않기 때문에 총사업비 증액이 오히려 손쉽게 이루어지고 또 상당히 큰 폭으로 증가하게 된다. 계속비공사의 경우 총사업비를 増額・變更시키기 위해서는 반드시 국회의 승인을 받아야 하지만, 「장기계속공사」 계약하에서는 재정경제원과의 협의만으로도 사업내용 변

<표 1> 繼續費와 國庫債務負擔의 年度別 現況

(단위: 억원)

| 구 분 \ 년 도 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 계 속 비 | 3,278(4) | 3,932(2) | 4,138(2) | 6,145(3) | 8,811(3) | 10,689(4) |
| 1. 해운항만청 | 41(1) | - | - | - | - | - |
| 2. 도로등 교통시설 | 3,237(3) | 3,932(2) | 4,138(2) | 6,145(3) | 8,811(3) | 10,689(4) |
| 국 고 채 무 부 담 | 4,131(51) | 3,754(18) | 5,284(39) | 4,879(19) | 5,650(21) | 6,082(13) |
| 1.건설부 | 489(10) | - | 205(3) | - | 40(1) | - |
| 2.교통부 | 20(1) | - | 184(2) | - | - | - |
| 3.농림수산부 | 80(2) | - | 60(2) | - | - | - |
| 4.해운항만청 | 56(3) | - | 90(2) | - | - | - |
| 5.수산청 | 60(1) | - | - | - | - | - |
| 6.철도청 | 1,205(18) | 1,094(6) | 1,202(9) | 1,649(8) | 2,357(9) | 2,995(6) |
| 7.기타 일반회계 | 891(14) | 1,160(11) | 933(17) | 730(10) | 513(9) | 587(6) |
| 8.기타 특별회계 | | | | | | |
| 사법시설 등 | 30(1) | - | - | - | - | - |
| 국립대학부속병원 | - | - | - | - | - | - |
| 도로등 교통시설 | 1,300(1) | 1,500 | 2,500(1) | 2,500(1) | 2,500(1) | 2,500(1) |
| 농어촌 구조개선 | - | - | 50(1) | - | - | - |
| 정부 청사시설 | - | - | 60(2) | - | - | - |
| 국유재산관리 | - | - | - | - | 240(1) | - |

註: 국방비 예산은 표에서 제외됨.

資料: 재정경제원, 『예산개요』, 1991~1996. 옥동석 전계서에서 재인용.

<표 2> 일본의 계속비, 국고채무부담의 예산편성

(단위: 억엔)

| | 1993 | 1994 | 1995 |
|--------------------|-------------|-------------|-------------|
| 계 속 비 | | | |
| 1. 일반회계 | | | |
| 한도액(건수) | 6,624(9) | 7,921(10) | 8,038(10) |
| 총지출예정액 | 1,339 | 1,718 | 1,333 |
| 국 고 채 무 부 담 | | | |
| 1. 일반회계 | | | |
| 한도액(건수) | 70,952(81) | 74,331(81) | 82,831(95) |
| 지출예정액 | 19,380 | 20,606 | 20,523 |
| 2. 특별회계 | | | |
| 한도액(건수) | 56,088(158) | 67,237(155) | 70,890(150) |
| 총지출예정액 | 16,067 | 19,124 | 17,591 |
| 중앙정부일반회계세출 | 751,024 | 734,305 | 709,871 |

註 : 1. 국고채무부담의 한도액과 건수 및 지출예정액은 연도별 신규사업만을 나타냄. 지출예정액은 기존사업과 신규사업 전체의 금액을 반영함.

2. 계속비는 일반회계의 방위청 예산에서만 해당됨.

資料 : 大藏省, 『財政金融統計』, 1991~1995, 예산자료포함 해당 월호.

일본은행조사통계국, 『경제통계연보』, 1995. 옥동석 전계서에서 재인용.

경과 총사업비 증액이 가능하다. 실제 이러한 간편성 때문에 해당부처가 일단 사업비를 과소추정하여 사업추진을 허용받은 후 그 사업비를 계속 증액시키는 편법을 허용하는 사례도 허다하다. 미리 국회의 승인하에 연도별 사업비를 확정시킨다면, 규모변경의 곤란때문에 사업비 과소추정의 여지는 훨씬 줄어들 것이다. 따라서 총사업비의 무분별한 증액을 막기 위해서는 이 두제도의 활용이 오히려 더 필요한 것이다.

다음으로 예산편성의 경직성은 물론 바람직하지 않지만 경직성에 너무 집착하여 안정적 예산확보를 희생하는 것도 바람직하지 않다. 즉 충분히 검토하여 꼭 필요하다고 생각하는 사업에 대해서는 차후연도의 예산편성을 硬直시키는 한이 있더라도 안정적인 예산집행을 보장해 주어야 한다. 또한 정치적 논리에 과도하게 좌우되는 예산편성이 바람직하지 않기 때문에 이를 방지하기 위해서라도 안정적 예산집행을 정착시켜야 한다.

외국의 경우 장기사업의 안정적 예산확보를 위한 장치가 잘 마련되어 있고 이들이 적극적으로 활용되고 있다. 우선 미국의 경우에는 특정 사업이 승인되면 이에 대한 예산은 '지출권(appropriation)'이라고 불리는 예산권한으로 확정된다. 즉 주어진 지출권의 금액은 그 사업이 완공될 때까지 안정적으로 집행된다.

우리나라와 예산회계제도가 비슷한 일본의 경우를 살펴보면, 「장기계속계약」이 전기, 가스, 수도, 전기통신서비스의 4개 부문에만 적용되고 장기대형공사에는 적용되지 않는다. 따라서 우리나라와 같은 「장기계속공사」제도는 존재하지도 않는다. 일본에서는 장기대형사업의 예산을 계속비제도와 국고채무부담행위를 이용하여 편성하며, 특히 장기사업 집행에 있어 국고채무부담행위의 비중이 높다(이 제도에 관한 일본의 법규현황은 <표 3> 참조).

계속비제도에서는 연차별로 공사계약이 체결되어 연차별로 채무부담이 이루어지지만, 국고채무부담행위에서는 수개연도의 채무가一括負擔된다. 그러므로 국고채무부담행위에서는 정부가 채무의 형태로서 契約不履行의 책임까지 부담하게 된다. 그렇기 때문에 장기대형공사의 안정적 시행을 위해서는 계속비제도보다 오히려 국고채무부담행위가 보다 더 바람직하다고 할 수 있으며, 일본에서 국고채무부담행위가 이용되는 이유는 바로 여기에 있다.

<표 3> 계속비 및 국고채무부담 행위에 대한 한·일간 법규 비교

| 구 분 | 공 통 점 | 차 이 점 |
|--------|--|--|
| 장기계속계약 | 성격상 수년간 존속할 필요가 있는 계약은 각 회계년도 예산범위 안에서 계약을 이행함(한국의 예산회계법 87조, 일본의 회계법 29조) | 한국: 적용범위는 5개부문 1) 운송, 보관, 시험, 조사, 연구, 측량, 시설관리 등의 용역계약 또는 임차계약 2) 전기, 가스, 수도 등의 공급계약 3) 장비의 유지보수계약 4) 장기계속공사 5) 장기물품제조 일본: 적용범위는 전기, 가스, 수도, 전기통신 서비스 부문에 한정됨. |
| 국고채무부담 | 국가가 채무를 부담하는 행위를 할 때는 미리 예산으로서 국회의 의결을 거쳐야 함(한국의 예산회계법 24조, 일본의 재정법 15조) | 한국: 연한에 대한 규정없음 일본: 5개년이나 국회의결로 연장 가능함. |

자료: 옥동석, 前掲書에서 재인용.

이런 점들을 고려할 때 대형 투자사업관련 예산제도의 개편방향은 자연스럽게 제시된다 하겠다. 즉 사업이 확정됨과 동시에 총사업비와 연도별 예산배분을 확정하고 그럼으로써 예산범위내에서 발주기관이 책임을 지고 공사를 완공시킬 수 있으며, 「분산투자」라는 문제를 방지할 수 있게 된다는 것이다. 이러한 것을 실현할 수 있는 현실적 방안은 현행 예산회계법에 규정되어있고 일본에서도 적극적으로 활용되는 계속비 및 국고채무부담 행위의 적용범위를 확대하는 것이다.

물론 계속비제도와 국고채무부담행위의 적용을 늘려나가면 그만큼 차후연도의 예산배정 및 심의권한이 制限될 수밖에 없다. 그러나 다시 반복하지만 예산편성의 硬直性에 대한 우려가 과도한 나머지 예산의 安定的 확보를 포기해서는 안된다. 안정적인 예산지원제도를 확대한다면 매년도의 신규착수사업을 중심으로 정부와 국회의 엄격한 사업심사와 예산심의 권한이 보장될 수 있다. 또한 사업비 증가추세를 적절히 반영치 못할 수 있다는 문제보다는 이 제도들의 활용 확대로 인해 오히려 사업비의 무분별한 증액을 막을 수 있다는 장점을 더 고려해야 할 것이다.

다만 이와 같은 문제점들 때문에 현재 시행되고 있는 모든 사업들에 대해 계속비제도나 국고채무부담행위를 한꺼번에 적용하기는 어려울 것이다. 그러므로 우선 대형투자사업의 일부(예를 들면, 장기대형공사의 일정 비율 또는 일정 금액 이상의 공사)에 대해 안정적인 사업비를 보장하는 방식을 적용하고, 그 적용범위를 점차적으로 늘려가는 것이 妥當할 것이다. 아울러 투자사업의 우선순위를 객관적으로 판단할 수 있는 비용·편익분석이 정밀화되어야 하고 예산당국의 심사기능강화 등이 보완되어야 이러한 제도활용의 효과가 높아질 것이다.

4. 다년도 예산편성

우리나라에서 현재 사용되고 있는 單年度 예산편성은 전년대비 증가율 위주의 편성 및 계속사업비의 지속적 증대를 피할 수 없다는 등의 문제점이 있다. 따라서 편성은 되나 실제 구속력이 없는 기존의 중기재정계획이 내실있게 운영되도록 해야 하며 이를 위해 매년 예산편성시 향후 수년간의 예산추정치를 같이 제시하고 이러한 추정치가 구속력을 갖도록 해야 한다. 이 때 향후 예산추정치는 현단계에서 제시된 것 이외에 새로운 정책의 추진이나 구조적 변화

가 없다는 가정하에 물가, 성장률 등 경제변수의 변동을 감안하여 작성한다.

이러한 다년도 예산편성의 장점은 크게 다음의 두가지를 들 수 있다. 우선 전년대비 증가율위주의 편성에서 벗어나 사업우선으로 예산을 편성할 수 있어 전반적인 지출효율성을 제고함은 물론 규모증가율을 둘러싸고 예산당국과 각 부처가 투입해야 하는 엄청난 시간과 노력을 줄일 수 있다는 점이다. 현재도 하에서는 매년 5월부터 8월까지의 3~4개월간은 예산실과 각 부처의 예산담당 공무원 사이에 세부항목 및 전년대비 규모증가를 둘러싼 심의진행 때문에 타 업무를 수행할 수 없는 형편이다. 반면, 다년도 예산편성의 경우 기확정된 사업 등에 있어서는 경제환경 또는 지수변화에 의한 적절한 변경으로 충분하므로, 이 사업규모증가를 감안한 타 사업 또는 경비액수조정 등 전체규모증가를 고려하는 길고도 힘든 심의·협상 과정들을 대폭 축소할 수 있는 것이다.

아울러 전술한 바와 같이 이는 차용 등 경상경비의 신축성확대에 전제조건이 될뿐 아니라 예산전체의 신축성 제고에 의해 사업비 절감에도 도움이 된다. 즉 이월 및 차용, 대형투자사업비의 안정적 확보 등을 다시 살펴보면 이러한 제도의 효과는 다년도 예산편성에 의해 대부분 달성될 수 있는 것들이기 때문이다. 예를 들어 3년짜리 공사를 3년간 다년도 예산편성제도에 의해 수행하게 된다면 굳이 계속비, 국고채무부담행위 등을 동원하지 않더라도 그 효과는 동일하다. 물론 다년도 예산편성에 의해 이와 같은 문제가 완전히 해소되지는 않으나(예산편성기간을 초과하는 대형사업의 경우는 다시 사업비의 안정적 확보문제가 발생) 이 제도의 도입이 사업비 및 경상경비의 자율성·신축성 제고에 도움이 되는 것은 틀림없다 하겠다.

이 제도를 도입할때 결정되어야 할 가장 중요한 사항은 예산편성연수가 될 것이다. 현행 중기재정계획이 5년을 대상으로 하고 있으므로 이에 맞추는 것도 한 방안이 될 것이나 필자의 견해로는 3~5년을 기한으로 설정하고 매년 연동하는 방식이 타당하리라고 생각한다.

5. 지방재정조정제도의 개편

우리나라의 지방재정은 현재 중앙정부로부터의 이전재원에 과다하게 의존하고 있어 자체재원의 개발노력이 미흡하고 재정운용의 효율성 제고를 위한 자구노력도 충분치 못한 실정이다. 또한 지방재정조정제도의 본질적 기능 중의 하나인 지방자치단체간의 재정력 격차 해소 기능도 미흡한 것으로 평가된다.

본 연구에서는 지방정부간의 재정력 격차 해소나 지방재정의 자립도제고 등을 포함한 지방재정조정제도 전반의 개선방안을 논하고자 하는 것은 아니다. 이보다는 현행 지방재정제도는 효율적인 지방재정운용을 위해 어떻게 개편되어야 하며, 지방재정제도간의 역할분담을 장기적으로 어떻게 조화시켜나갈 것인가 등 공공부문의 생산성 제고라는 틀 안에서의 개선방안을 논의하고자 한다.

우리나라에는 현재 지방교부금, 지방양여금, 보조금의 3개 지방재정조정제도가 있는 바 각 제도별로 다음과 같은 문제점이 있는 것으로 평가되고 있다. 지방교부금제도에 있어서는 우선 교부금총액이 내국세의 13.27%로 법정화됨에 따라 중앙재정의 경직성을 심화시키며, 배급제적 성격으로 인해 초과수요를 유발하고, 현행 배분비율에 대한 명확한 이론적 근거와 타당성이 결여되어 있다는 점 등의 문제점이 지적되고 있다.

지방교부금은 용도가 정해지지 않는 일반재원인 까닭에 일단 배정이 이루어지면 재정운영의 성과나 실패가 적절히 반영되지 못하는 등 효율성 확보를 위한 적절한 사후관리체계가 결여되어 있어 공공재원의 낭비나 비효율이 초래될 소지가 많다.

다음으로 현행 지방교부금제도는 지방자치단체의 자구노력 또는 징세노력을 유도할 수 있는 제도적 장치가 미흡한 것으로 평가되고 있으며, 이에 따라 지

방자치단체가 재정수요를 줄이거나 징세노력을 제고하는 경우 오히려 배정액이 감소하는 불합리를 노정할 수 있다.

한편 특별교부세는 특별한 재정수요가 있는 경우 배정하는 것을 원칙으로 하고 있으나 실제로는 변칙운동이나 재량적 운동의 폭이 큰 실정이므로 특별교부세의 비중축소나 용도조정이 시급히 요청되고 있다.

국고보조금은 보조율, 보조대상사업 선정 등의 문제에 있어 중앙정부의 자의적인 의사결정에 의존하여 왔으며 이에 따라 정치적 유력자의 영향력에 따른 특정지방의 특혜적 보조금지출이나 지방의 의사가 제대로 반영되지 않는 등의 문제가 있었던 것으로 평가되며, 보조금의 영세화, 보조사업 및 용도의 지나친 세분화 및 지출에 대한 지나친 간섭 등의 문제도 지적되고 있다. 예를 들어 1994년 예산기준으로 보조금 규모가 1억원 미만인 사업이 15개, 2억원 미만인 사업도 8개에 달하고 있는 것으로 나타났다. 이와 같이 규모가 영세할 수록 세부사항까지 중앙정부가 통제하게 되기 마련이며, 이에 의해 사업추진의 효율성도 떨어지게 마련이다.

현행 지방양여금제도에 있어서는 우선 배분기준의 합리성 문제가 제기되고 있는 바 지방도로 정비사업의 경우 배분비율을 도로의 관리주체별로 정하고 있으나 이러한 배분기준 설정의 근거가 불명확하다. 현행 시행령에 의하면 直轄市道 18%, 地方道 20%, 市の 國道整備 15%, 市道整備 4%, 郡道整備 34%, 農漁村道路 9%가 배분되었으나, 이에 대한 설정기준은 분명하게 명시되어 있지 않아 자의성을 배제하기가 곤란하다는 것이다.

그리고 양여금 배정에 큰 영향을 미치는 보정지수산정에도 문제가 있는 것으로 평가된다. 예를 들어 직할시도 양여금 보정지수의 경우 인구지수, 자동차지수, 지가지수 재정여건지수의 비율이 4:4:1:1로 확정된 근거도 불명확하며 무엇보다도 재정여건지수에 사용되는 재정력 지수가 객관적 재정력 지표로 부적합하다는 것이 문제이다.

그러면 이와 같은 문제에 대응하여 어떠한 개선방안을 마련하는 것이 정부 부문 전체의 생산성 제고에 도움이 될 것인가? 우선 법정교부세율은 단기적으로는 13.27%를 상한선으로 하여 현재의 법정배분방식을 유지하되, 중기적으로는 일정한 범위내에서 변동의 상하한폭을 허용하여 교부세배정의 신축성을 제고하는 방안을 검토하며, 장기적으로는 현재와 같은 법정화를 지양하고 그때 그때의 재정여건에 따라 교부세배정을 조절하는 可變配分方式으로 전환해 나가야 할 것이다.

둘째는 지방자치단체의 징세노력을 제고하기 위해 지방세수입 증가분이 전국의 평균수준을 초과하는 자치단체에 대해서는 추가증가분의 일정비율(예 50%)을 기준재정수입액에서 제외하여 유보재원으로 인정하거나, 과표현실화율이 전국평균을 상회하는 자치단체에 대해서는 기준재정수입액을 감액조정하는 등의 개선방안을 마련해야 한다.

셋째, 교부금배분에 있어 단순히 지방정부의 부족재원을 보전해 주는 소극적 역할에서 벗어나 자치단체가 재정운영의 건전성이나 적정성을 제고할 수 있도록 인센티브를 부여하는 방안을 강구해야 할 것이다. 구체적으로 인건비 비율이나 경상적 경비비율이 몇년간 계속 하락하는 경우 교부금을 추가배분하는 등 교부금 배분을 세출구조의 건전성지표와 연계하는 방식을 검토할 수 있다.

마지막으로, 지나치게 높은 특별교부세의 비중을 인하할 필요가 있다. 국고 보조금제도의 개선방안으로는 우선 기존의 국고보조사업에 대해 사업별 성격 및 우선순위, 자원부담 등에 관한 전반적 재검토를 통해 지원의 효율성이 상실되었거나 지원목적이 달성된 보조금은 폐지하고, 지원의 필요성이 적어진 경우는 지원을 축소하며 신규재원이 필요하다고 인정되는 분야도 기존의 사업과 대체하는 범위내로 한정하는 것이 바람직하다. 이러한 보조금에 대한 재검토는 정기적으로 실시하도록 하고 일몰법이나 보조금 체감제도의 도입을 통

해 보조금 지급의 타성화를 방지해야 한다.

유사사업과 통합이 가능한 경우는 통합보조로 전환하는 등 지나치게 영세한 보조금은 과감히 통폐합하도록 해야 하며, 이를 위해 예산과목상 개별보조사업의 상위개념인 세항별로 통합하거나 또는 현행법상 50만원인 영세보조금 폐지기준을 대폭 상향조정하는 것 등의 방안을 고려해 볼 수 있다. 아울러 보조사업의 사업타당성 검토, 투자효과의 사전·사후적 분석을 위한 비용편익분석 등의 기법개발 및 활용 등 평가제도의 체계화가 요구된다. 또한 사업선정에 있어서도 지방의 의사가 충분히 반영되도록 보조금신청주의를 내실화하고 보조금 지급에 있어 정치적 영향력을 극소화 해야 할 것이다.

지방양여금의 배분기준과 보정지수 산정에 있어서 합리성·객관성을 제고시키는 노력이 요구되며, 지방양여금은 지방자치단체에서 제출하는 산정자료에 따라 결정되므로 기초자료의 신뢰성 확충을 위한 제도적 방안의 강구도 필요하다.

이와 같은 개별제도의 개선방안과 아울러 궁극적으로는 이 3개 제도간의 조화를 중심으로 포괄적인 제도개편이 고려되어야 한다. 이러한 개편의 핵심은 본 연구에서 누차 지적된 바와 같은 자율성 및 신축성의 제고에서 찾아야 한다. 이는 결국 중앙정부의 지나친 통제가 문제가 되는 보조금이나 양여금 제도에 있어 지자체의 재량권을 확대하는 것으로 귀결된다.

현행 제도하에서는 보조금과 교부금은 일반회계를 통해 편성, 배분되는 반면 양여금은 별도의 지방양여금 특별회계의 형태로 운영됨으로써 일반회계 세출규모를 축소하는 등 재정체계의 왜곡을 초래한다. 또한 현재의 지방양여금은 도입과정에서 종전의 국고보조사업의 일부를 사업의 성격이나 내용상 큰 변화없이 수용함에 따라 제도 본연의 의의가 제대로 확보되지 못하고 있다. 뿐만 아니라 세원의 공동이용이라는 측면보다는 국고보조사업을 대신하는 성격이 더욱 커 지방재정조정제도 상호간의 역할분담 차원에서 문제점을 노정하

고 있다.

따라서 장기적으로는 양여금 관련 특별회계를 폐지하고 세입 및 세출을 일반회계로 이관하며, 양여금 사업 가운데 국가시책상 필요하거나 국가의 직접 지원이 보다 효과적인 사업(예 환경관련 사업)은 국고보조금, 특히 포괄보조금 형태로 운영하는 것이 바람직하다. 이때 보조금은 포괄보조금 형태로 개편하여 지나치게 영세화된 보조금제도를 운영하는데서 오는 비효율, 즉 소규모 사업까지도 일일이 중앙정부의 통제가 남발이 되는 등의 효율성 저해요소를 제거하도록 하는 것이 바람직하다. 이는 지방사업이 비록 중앙정부의 보조하에 추진되더라도 결국 그 사업의 특성을 가장 잘 아는 지방자치단체의 판단 및 재량을 중심으로 수행되어야 하며, 소규모 지출까지도 중앙정부의 판단 및 통제가 우선되어서는 효율적 사업수행이 어렵다는 근거에 기인한다.

또한 양여금의 나머지 사업과 보조사업중 국고보조율이 일정한도를 넘는 사업은 지방정부의 추진사업으로 지방이양하되 추가 소요재원을 지원하며 소요재원은 지방교부세율을 상향조정하는 방식으로 배분하도록 한다. 아울러 지방세과세 자주권을 점차 확대하여 소요재원 충당에 도움이 되도록 하는 것이 바람직하다.

이렇게 함으로써 재정조정제도를 일반재원을 지원하는 지방교부금과 특정재원을 지원하는 국고보조금으로 이원화하여, 지원제도별 기능, 특성을 차등화하고 지원의 목표나 운영체계 등을 보다 명확히 정립하고 구분토록 하는 것이 바람직하다.

6. 기타 개선방안 : 수입유보권 허용 및 회계제도의 개선

현행 우리나라의 제도에 의하면 수수료 등 각 부처당 자체수입은 일단 국고로 귀속되고 차후에 일괄해서 예산이 배정되고 있다. 그러나 영국, 캐나다, 호

주, 뉴질랜드, 미국은 모두 자체수입 중 일부를 각 부처가 직접 유보하여 사용하는 제도로 변경하였다.

수입유보권의 허용이라고 부르는 이 제도는 기본적으로 시장의 원리에 부합하도록 應益原則을 확대한다는 취지에서 비롯되었다. 그런데 이러한 자체 수입은 해당부처가 민간에게 매각한 서비스의 대가로 획득하는 수입에만 국한되는 것은 아니다. 예를 들어 빌딩임대, 회계감사, 법무서비스, 문서발간 등 어느 한 부처가 다른 부처에 대해 제공한 서비스에 대해서도 그 정당한 대가를 일단 지불받아 자체수입으로 사용한다는 것이다.

이는 결국 각 부처의 수입증대 유인 및 예산운영의 자율권을 증대시키자는 것으로 그 도입을 고려해볼 필요가 있다. 다만, 어느 정도까지를 그 한계로 할 것인가에 대해서는 많은 검토가 있어야 할 것이다.

예산제도의 개편과 밀접하게 연관되어 동시에 추진되어야 할 것이 회계제도의 개혁이다. 사실 정부회계는 산출물과 추구하는 목표가 분명한 민간기업회계보다는 회계기준 및 원칙을 명확히 정립하기 어려운 측면이 있다. 이 때문에 각국의 정부회계 기준도 각양각색이고 비교적 잘 갖추어진 나라들도 이러한 한계를 인식하여 지속적인 개선노력을 기울이고 있는 실정이다.

정부회계제도 개혁논의에서 중심이 되고 있는 것은 민간기업회계에서 사용하는 발생주의 회계제도의 도입가능의 문제이다. 발생주의는 현금의 수입·지출의 시점과 관계없이 기간중 손익이 발생하면 수익·비용을 계산하는 기준이다. 이에 반해 대부분의 정부회계에서 사용하는 현금주의는 현금의 수입·지출시점에 따라, 즉 실제로 발생하는 경우에만 세입(수입)과 세출(비용)을 계산한다. 발생주의 회계제도의 장점은 정부의 각종 사업 및 정책이 채무 또는 채권에 미치는 영향 파악을 정확하게 이루어지게 하는 등 보다 합리적인 기준이라는 데에 있다고 평가된다.

이러한 장점에도 불구하고 정부회계에 있어서는 뉴질랜드를 제외하고는 발

생주의를 채택하는 나라가 없다¹⁰⁾. 그 이유는 발생주의를 도입하기 위해서는 정부가 보유하고 있는 자산을 정확히 평가하는 등 준비작업에 엄청난 시간과 노력이 투입되기 때문이고 또한 굳이 발생주의를 사용하지 않더라도 정확한 재무제표작성을 통한 복식부기원리의 도입으로 회계의 정확성이라는 목표를 충분히 달성할 수 있다는 근거 때문이다.

이런점을 감안할 때 발생주의 회계의 도입자체는 그 장·단점을 신중히 비교한 후 판단할 문제라고 생각한다. 그러나 정확한 정부재무제표 작성(특히 정부의 대차대조표)은 정부지출의 성과를 파악하는 데에 필수적이라는 이유 때문에 시급히 착수해야 한다고 판단되며, 전면적인 작성준비에 시간이 필요하다면 일부부처 또는 지방자치단체부터라도 바로 작성을 시작해야 할 것이다.

10) 호주의 경우 일부 지방정부에서도 사용하고 있다.

Ⅲ. 要約 및 結論

본 연구에서는 공공부문의 생산성제고라는 큰 틀 안에서 이를 뒷받침하기 위해 예산제도는 어떻게 改善되어야 할 것인가 하는 方案을 모색해 보았다. 국가예산이 정부활동의 금전적기초라는 점을 상기한다면 예산제도의 개혁이 공공부문의 생산성제고를 위한 제도개혁의 중요한 부분이 된다는 것은 당연하다 하겠다.

본 고에서 제시된 개선방안들 즉 성과관리의 강화, 경상경비관리의 개선, 다년도 예산편성, 사업비관리의 개선, 지방재정조정제도의 개편, 수입유보권 허용 등의 기본적 성격을 잘 살펴보면 대부분 기존의 제도보다 해당부처의 자율성, 재량권을 제고시킨 방안들임을 알 수 있다. 이는 Ⅱ章에서 지적된 바와 같이 지출의 주체에게 책임과 권한을 가능한 많이 부여하고 예산당국의 통제는 국가정책목표와 부합하도록 큰 테두리를 정하는 것이 세부사항까지 통제해야 하는 기존의 제도보다 훨씬 더 효율적이라는 인식에 근거하고 있다. 또한 이러한 방향은 예산제도의외의 공공부문개혁안이 대체로 권한의 이양, 위임, 자율권 확대 등을 지향하는 것과도 같은 軌를 형성하는 것이다.

물론 이와 같은 방식으로의 전환이 예산당국의 필요한 통제마저 부인하는 것은 아니다. 어떤 사회, 어떤 국가에서도 적절한 통제장치가 없는 예산지출은 낭비와 비효율로 귀결되도록 되어 있기 때문이다. 본 연구에서 주장되는 자율성 및 재량의 제고란, 실효성이 없고 경직적이어서 오히려 비효율을 초래하는 제도에서 벗어나 해당부처가 스스로의 이익을 위해서라도 예산을 절감하고 효율을 추구하도록 하는 제도적 장치를 만들어야 한다는 것을 의미하는 것이다.

본 고에서 제시된 개선방안들은 지금까지 논의된 적이 없는 전혀 새로운 것이 아니다. 序에 지적된 바와 같이 이 제도들은 대부분 선진각국에서 실험이

되었거나 되고 있는 것이며, 따라서 그 평가도 어느정도 내려진 것들이다. 그러나 다른 국가에서 성공한 제도가 우리에게 그대로 적용될 수 있다는 보장은 없다는 점에서 우리 현실에의 적용가능성을 짚어 보았다는 것에 더큰 의미가 있다 하겠다.

이렇게 적용가능성을 점검하면서 본 연구는 대부분의 정책방안들을 점진적으로 도입, 확대적용할 것을 건의하고 있다. 이는 단순히 慎重하거나 安奫한 접근방법을 택하자는 의미가 아니다. 실제 이러한 개혁은 실험적 성격이 강하며, 정부부문의 특성상 현실화하기 어려운 부분도 많고 현실화에 따르는 비용(비록 단기적일지라도)이 만만치 않게 큰 것들이 많다는 등의 이유가 이러한 단계적 접근방안을 선호하게 되는 이유라고 할 수 있다.

예산제도개혁의 중요한 부분을 차지하는 특별회계 및 기금제도의 개선, 조세지출예산제도의 도입, 공적연금제도의 개혁 등은 비록 그러한 개혁을 통해 궁극적으로는 공공부문의 생산성을 제고하게 되지만 본 연구에 제시된 방안들에 비해 간접적인 영향을 미친다고 판단되어 본 연구의 논의에서는 일단 제외하였다. 한편, 공공부문의 개혁은 미래의 사회에서의 정부의 새로운 역할과도 밀접한 연관이 있으나, 현재의 시각에서 볼 때 예산제도는 이러한 변화와 일단 거리가 있다고 판단되어 논의하지 않았다.

경제 및 사회의 모든 부분에서 효율 및 생산성의 극대화가 더욱 더 요구되는 시점에서 자칫 비효율적일 수 있는 요인을 내포하는 전통적인 정부의 기능을 뒷받침하는 예산제도의 개혁은 그 만큼 어려운 과제라 할 수 있다. 또한 본 연구에 제시된 방안들이 예산제도가 가지는 모든 문제들을 일거에 해소하는 것도 아니다. 본 연구가 가지는 의미는 이러한 난점을 조화롭게 극복하고자 하는 시도이며 그 과정의 일부라는 데에 있다고 할 것이다.

<참고 문헌>

- 노기성·유일호(편), 『1994 국가예산과 정책목표』, 한국개발연구원, 1994.
- 옥동석(편), 『政府大型事業의 選擇과 豫算編成』, 한국개발연구원, 1995.
- 이계식·문형표(편), 『정부혁신』, 한국개발연구원, 1995.
- Kye-Sik Lee and Ilho Yoo, *Fiscal Reform in Korea and OECD Countries*, Korea Development Institute, April 1996.
- OECD, *Managing with Market-type Mechanisms*, 1993.
- Osborne, David and Ted Gaebler, *Reinventing Government*, A William Patric Book, 1992.
- Robert D. Hayes and James A. Miller, *Measuring Production Efficiency in a Not-For-Profit Setting*, 1989~1990.
- Report of the National Performance Review, *Creating a Government That works Better and Costs Less*, Sept. 1993.
- , *Putting Customers First : Standards for Serving the American People*, Sept. 1994.
- United State General Accounting Office, *Management for Results: Experiences Abroad Suggests Insights for Fedral Management Reforms*, May 1995.

개원 4주년 기념 심포지엄 / 제3주제

Competitive Government

Reconsidering Productivity Paradigms : Competition as an Alternative to Privatization

Dr. Marc Holzer
(미국 Rutgers大 教授)

본 논문에 실린 내용은 필자 개인의 의견을 반영한 것이며, 한국조세연구원의 공식적인 견해와는 무관함.

Table of Contents

국문요약

Summary

I. Redefining the Debate Over Government

II. Public Vs. Private Competition

1. The Public Sector as a Competent Sector
2. Five Great Ideas of American Public Administration
3. Producing Public Services: Exemplary State and Local Programs

III. Approaches

1. Approach One: Management for Quality
2. Approach Two: Performance Measurement
3. Approach Three: Human Resource Management
4. Approach Four: Application and Adaptation of Technologies
5. Approach Five: Partnerships: Multiple Tenets of Cooperation

IV. An Expanded Model of Competition

1. Open Competition
2. Open Competition Only within Government
3. Expanded Capacity for Competition
4. Reservations?

V. Conclusion

References

<국문 요약>

경쟁적 정부

생산성 패러다임의 재고찰 : 민영화의 대안으로서의 경쟁

1. 정부에 대한 논쟁의 재조명

현재 민영화에 대한 논쟁이 한창 진행중인데 이는 민영화를 통해 생산성을 제고할 수 있다고 생각하기 때문이다. 독점적 정부는 비효율적이고 경쟁적인 민간부문은 효율적이라는 두가지 명제하에서 정부는 비난의 대상이 되어 왔다. 민영화 추종자들은 심지어 어떤 분야에서든 정부보다 민간기업들이 더 잘할 수 있다고 못박았다. 민영화는 품질향상 및 비용의 절감, 규모경제의 실현, 공공과 민간과의 공평한 비교, 전문직 기술교육 기회의 확대, 인원감축 및 증원의 신축성 향상 등의 이유로 흥미를 끌고 있다.

정부를 대변하는 자들은 민영화에 대하여 부정적인 입장이다. 그들은 민영화가 직접적으로 생산성을 향상시킬수 있는지에 대해 의문을 제기하여 왔다. 그들은 서비스의 감소, 도덕성의 절하, 저질 계약의 난무, 품질저하, 단기이윤을 추구하는 정책의 만연, 비영리 공공서비스의 감소, 부정의 기회증가, 서비스의 중복제공 등을 민영화의 문제점으로 제시하고 있다.

효율성을 향상시키는 데 있어 최선의 방법은 경쟁을 도입하는 것이라고 생각하여 경쟁요소를 도입하는 방법으로 이제까지 주로 민영화만이 논의되었다. 그러나 이제부터는 경쟁개념을 확대적용하여 정부도 하나의 경쟁주체로 인식해야 할 필요가 있다. 다시 말해 이전에는 경쟁요소를 도입하기 위해 정부의

기능을 민간으로 이양하는 것만을 고려했으나 이제는 정부도 공공서비스 분야에서 하나의 경쟁주체로 다른 민간 경제주체들과 동등한 입장에서 경쟁하게끔 하는 방안도 포괄적으로 다루어져야 할 것이다.

2. 공공 대 민영 경쟁

정부가 공개입찰에 낙찰되어 계약을 성사시키는 일은 오래전부터 행해져 왔지만 널리 알려지지 않는 않았다. 미국 인디애나폴리스시는 “경쟁과 비용: 경쟁 입찰 제도”를 도입하여 공공부문의 경쟁력을 향상시켰던 것이다. 서비스의 질적 향상을 민영화가 아닌 경쟁을 통해서 실현시켰다. 시공무원들은 민간기업으로 그들의 일을 단순히 전가시키지 않고 민간기업들과 경쟁하였다. 실행 기초비용계산법(Activity-Based Costing)과 다양한 재정, 회계방법을 도입하여 시공무원들이 내부적 비용을 계산하게 하여 그 비용을 입찰가격으로 하는 방식으로 경쟁을 가능하게 하였다. 이러한 경쟁체제는 공무원은 물론 민간기업 까지도 낮은 비용에 높은 품질이라는 효율성 향상에 활력소가 되었다. 시공무원을 민간기업과 경쟁시켜 인디애나폴리스시는 1천만불의 예산절감을 실현시켰다. 이로부터 축적된 재원은 시에 재투자하여 경찰력 증원 뿐만 아니라 역사적으로도 가장 규모가 큰 5억불 규모의 산업재개발사업을 아무런 세금 인상없이 추진할 수 있었다. 이러한 공공 대 민영 경쟁모델은 현실적용가능성이 크지만 맹목적인 민영화 붐을 막기에는 아직까지 대중적인 인식이 미흡한 실정이다.

3. 유능한 공공부문

정부가 서비스를 적절히 제공하기 어려운 분야부터 민영화를 해야 한다는

점에는 동의한다. 또한 정부의 독점행위는 비효율적이라는 점에도 동의한다. 하지만 민영부문이 이례적으로 공공부문보다 효율적이고 효과적이라는 점에서는 다음과 같은 다섯가지 이유에서 동의하기 힘들다.

첫째, 민간기업일지라도 경쟁의 효과를 반드시 보장하지는 못한다. 쓰레기 수거사업, 건설업, 도로 및 기물 보수업 등에 이례적으로 행해지는 기업단합, 단합가격 책정 및 구역설정 등은 공정경쟁원칙에 위배된다.

둘째, 연간 생산성 향상율을 비교해 보면 민영부문과 공공부문은 거의 같은 수준이다. 미국을 예로 들면 양자는 각각 대략 연 1.5~2%정도로 비슷한 수준이다.

셋째, 민간기업이 공공서비스를 적절히 제공하는데 실패한 예들이 점차 많아 지는 추세이다. 교도소, 의료시설, 공립학교, 공항등에의 공공서비스 제공 과정에서 스캔들 및 재정문제로 경영난을 겪는 경우를 많이 볼 수 있다.

넷째, 이미 미국의 경우 우드로 윌슨(Woodrow Wilson)이 1887년에 민간기업의 경영원칙을 공공부문에 도입할 것을 제안한 이후로 이를 지난 한세기 동안 적용시켜 왔다. 또한 개혁자들은 이를 “미국 공공행정의 5대 원칙”으로 발전시켰다. 1)정직하고 기업같은 정부, 2)고전적 경영, 3)정치 및 재정, 4)인간행동, 5)정책의 효과가 그 내용이다.

다섯째, 현재 주정부 및 지방정부의 성공적인 경영사례가 많아지고 있다. 지방정부 모범포상협회(Exemplary State and Local[EXSL] Award)에서는 많은 정부기관들이 기업같다는 점에서 더욱 경쟁력이 있다고 주장하고 있다. 수상된 정부기관은 일반적으로 품질경영 원칙을 도입하였고, 수량적 분석을 통한 의사결정을 행하고, 직원교육 및 인재개발에 많은 투자를 하고, 신기술을 도입하고, 민간기업 및 다른 정부기관과 좋은 협조체제를 구축한 것으로 나타났다.

4. 확대된 경쟁체제

“기업같은”이라는 원칙, 재정학 논문, 연구단체, EXSL 및 그의 다른 수상협회에서 보여준 사례들을 바탕으로 세가지 정부서비스의 경쟁모델을 제시한다.

가. 열린 경쟁

많은 서비스들이 민간기업 또는 비영리단체에 의해 제공되어야 할지라도 모든 정부기관은 공개입찰에 참가하도록 해야 할 것이다. 경쟁이 더 많은 선택 기회를 제시한다면 국민들은 보다 광범위한 선택권을 행사할 것이다. 만약 민간부문이 입찰을 회피하거나 부정한 행위를 할 경우 공공부문은 확실한 경쟁력을 가질 수 있다. 경쟁의 장점을 극대화 시키려면 업무영역의 제약없이 모든 기관들에게 입찰의 기회가 주어져야 한다. 즉, 교육부는 경찰서에 유지, 보수 서비스를 제공할 수 있고 고속도로공사는 시민공원 관리직의 공개입찰에 참가할 수 있도록 하는 것이다. 또한 입찰에서 경쟁하는 기관은 규모의 경제 또는 초과 투자가능 자원이 있는 다른 정부기관일 수도 있다.

나. 정부내부에서만 열린경쟁

상투적인 민영화 대상으로 선정되는 청소, 인쇄, 보수작업등과는 달리 특정 공공부문의 기능은 무형적이거나 비교적 복잡하다. 이들 기관의 서비스는 공공기관을 통해서만 제공되는 것이 적절할 수도 있다. 회계장부관리 및 법령 제정 등을 고려할 경우 이들 기관은 민영부문과 공개입찰없이 민주적인 단체의 통제아래 운영되어야 할 것이다. 민영화는 민주적인 통제 및 경영과 대립관계일 수도 있기 때문이다. 민영화에서 제외되어야 하는 서비스는 민생안전, 공립학교, 고등공립학교, 사회보장, 의료복지, 항공교통통제, 환경보전등이 포

함된다. 법안제정 및 연설문 작성 등과 같은 법률과 관련된 기능들도 민영화에서 제외되어야 할 대상이다. 민주적인 서비스제공을 유지하기 위해서는 적절한 서비스를 공공기관에서만 입찰할 수 있는 정부기관간의 경쟁체제가 마련되어야 한다. 즉, 공공기업들이 자기의 직무 또는 기능 이상의 일을 할 수 있게 하는 유연성은 적절한 법령에 의해 보장되어야 한다.

다. 경쟁을 위한 능력확대

정부의 새로운 경쟁자의 출현은 정부의 경쟁력을 증가시킨다. 공공부문의 경쟁입찰자는 어느 특정한 직위 또는 직무에 한정할 것이 아니라 생산성 측면에서 강점을 갖고 있는 유사한 기관 모두를 포함해야 할 것이다. 이러한 기관으로 공영“대기업” 또는 “내부 컨설팅 기업”등을 고려할 수 있는데 이들은 국민과 쉽게 친숙해질 수 있을 것이다.

5. 결론

향상된 정부의 경쟁력은 정부의 생산성에 대한 부정적인 시각을 바꾸는데 도움이 될 것이다. “경쟁자로서의 정부”라는 모델은 국민들을 단시간에 설득하기 어렵겠지만 정부의 궁극적인 방침설정과 정부의 능력개선을 위해 긍정적인 방향을 제시할 것이다. 강한 경쟁력을 가지지 못한다면, 이윤 추구만을 위한 기업들, 방향감각이 없는 언론, 정치적인 분석들로 이끌려가는 국민들은 단기적으로 민영화를 통한 정부기능의 감축에 동의할 것이고 이로부터 현 정치인들이 은퇴하게 되는 먼 장래에는 여러 사회문제가 미해결 상태로 남아 있게 될 것이다.

Summary

Advocates of privatization argue that the private sector is the appropriate structure for the delivery of many services which are now public. But despite the momentum for privatization, government should not be "written off." Government has been building "businesslike" capacities for more than a century. Award-winning programs provide evidence that those capacities are being applied in practice. As an alternative to privatization, the public sector can and should compete with the private sector for services which are appropriate for private or public sector delivery. Going further, agencies which are now monopolies might redefine themselves, competing widely for government contracts against each other and/or private firms. New, "generic" public entities might even be formed to do so.

I . Redefining the Debate Over Government

The debate over privatization is premised on the same assumption by both sides: what the public, private business and policy makers really want is productivity. Advocates of privatization, such as E.S. Savas, a "guru" of this movement, have emphasized relatively tangible concerns of productivity, narrowly defined as efficiency and/or effectiveness. Under the banner of "privatization," government has been attacked through the twin assumptions that monopolistic government is inherently inefficient and the competitive private sector is inherently more efficient.

Proponents of privatization "have lived by the mantra that anything government can do, business can do better." (Katz). Privatization is marketed as a solution which will (Savas (c)) :

- lower costs, while improving quality;
- allow economics of scale;
- allow public vs. private comparisons of cost and performance;
- avoid large start-up costs;
- provide access to specialized skills and training;
- promote flexibility in the size and mix of services;
- make it possible to hire and fire as necessary;
- allow for experimentation in different modes of service provision;
- reduce dependence on a single supplier;
- bypass inert bureaucracies; and
- allow quicker response to new service areas.

The term "privatization," as it is commonly used, is actually a bifurcated concept. One meaning of the term is the shift of government services to the private sector, establishing a direct relationship between the private provider and the private consumer. That shift may include the divestment or sale of government enterprises and assets; load shedding; and demonopolization of government services to allow private alternatives to emerge (Bailey, Brudney, Savas (b)). In these public to private shifts, privatization signifies moving services from government provision to a direct relationship between the service provider (a firm) and the consumer or client; the financial relationship is between the two as private parties, without a payment through government. No contract with the government entity is involved, although government may have a regulatory, policing or indirect financing role.

In its alternative usage, privatization is "contracting out," or moving services from direct supply by government to an indirect relationship between the service provider (a firm acting on behalf of government as a formal contractor) and the consumer/client. The financial relationship is then between three parties: government as the conduit and monitor; the firm as the service provider; and the customer/client as the service recipient

Advocates of government's roles, offer a less enthusiastic perspective on privatization. They (Barnecov and Raffel; Stahl; Ogilvy) suggest questions the public manager needs to answer when considering whether to privatize in order to enhance productivity. To what extent is privatization likely to:

- reduce services?

- lower employee morale?
- result in incomplete contracts?
- produce cost overruns?
- lower quality at the expense of quantity?
- place short-term profits over long-term planning?
- negate the service ideal inherent in public service?
- provide opportunities for graft and corruption?
- duplicate services?

Both sets of advocates, however, need to attend to the concerns of the other and to those of the public: privatized services must be responsive to public policy, and services delivered by government must be efficient and effective. For at least a decade the public has been particularly interested in privatization as a means to efficient service delivery, and is often skeptical of government's ability to do so. (Roper) By a margin of 38% to 25%, the Roper Poll found that people preferred to solve societal problems by funnelling resources through corporations rather than government, which barely edged out private voluntary organizations (21%). For the delivery of human services, private voluntary organizations were preferred to government by a margin of 49% to 34%. When Roper asked if the telephone service should be "owned and operated by the government," as in most other countries; 81% were opposed, 61% thought the service would be worse, 63% thought the cost would increase. Privatizing the postal service, however, was thought to improve service by 46%, although 44% expected a rate increase. When Roper asked whether it would be a good idea to contract out different government services: 55%

avored contracting for garbage disposal, 28% for the running of public schools, 27% for fire departments, 27% for prisons, and 23% for police departments. A Gallup Poll found that private companies were often preferred by the public as service providers, especially for critical services: 47% for hospitals, 41% for garbage collection, 41% for ambulance services; for less critical services, however, the interest declined, to 25% for parks and swimming pools and 21% for street maintenance.

Competition has been sold to the public and policy makers as the primary means to achieving efficiency. But only one form of competition--privatization (broadly defined)--has been assumed. A thesis of Savas "is that competition, achieved by prudent privatization, is the key to improving the productivity of public agencies and, more broadly, of public programs and public services...Competition must be introduced and institutionalized, and privatization is the technique of choice for accomplishing this."

Competition can certainly improve organizational performance. But in linking competition to privatization the former concept has been defined too narrowly. We ought to consider "government as competitor" as an expanded set of approaches to the problem of public productivity. We define "government as competitor" as intra-governmental approaches to the delivery of public services. Such approaches can provide alternatives or substitutes to private sector delivery of what are now public sector services.

In addition to private vs. private competition for contracted-out, government-funded services, at least two other approaches to competitive

government are considered as viable: public vs. private competition and public vs. public competition, with two variations on the latter.

II. Public Vs. Private Competition.

This is a long-established, but underrecognized, concept which sometimes has surprising results: government is the winning bidder and services are "contracted in." The average U.S. city contracts for twenty percent of its services and could contract for more. There is every reason to believe that public agencies could add to the bidding pool, could win bids on a competitive basis, and could outperform their private sector rivals.

Indianapolis, for example, recognized that the marketplace in which cities operate has changed. Major cities no longer compete against each other for businesses and families. They compete against their suburbs, and they are losing. Suburbs generally offer lower taxes, less crime, better schools, and fewer environmental risks to businesses. Large numbers of businesses and families are migrating to the suburbs, leaving the financially disadvantaged behind. Indianapolis' effort to alleviate some of these structural disincentives--to decrease migration to the suburbs--largely rests on the provision of some city services through competitive bidding. In Indianapolis, "Competition and Costing: Competitive Bidding" is a program designed to make the public sector in Indianapolis more competitive. Service delivery is improved through competition, rather than privatization. Instead of limiting itself to the option of turning a City service over to a private vendor, City employees are encouraged to bid in competition with the private sector. What makes competition possible is

activity-based costing, a financial and accounting tool that determines the internal costs of government activities that City employees can use in their bids. Competition improves the delivery of services by making inducing private sector vendors and city workers to be far more efficient and creative about how to provide improved services at lower costs. By enabling city workers to compete fairly against private sector vendors, Indianapolis has reduced its budget by \$10 million. The savings are re-invested in the City, allowing Indianapolis to put more police officers on the streets, and invest in a \$500 million infrastructure rebuilding program, the largest in city history, without raising taxes. The program emphasizes competition, innovation and entrepreneurial thought among city employees, together with the adaptation of activity-based costing to the public sector.

Similarly, as practiced in Phoenix (Holzer (a)), the Department of Public Works has won back contracted out services by lowering the real cost per unit of output. faced with growing budget problems, the City was increasingly awarding municipal contracts to private organizations. In response, the Department of Public Works developed a non-traditional approach, "Competition with Privatization,"(EXSL Award 1989), a program which seeks to compete with private sector providers to provide the highest level of municipal service to the taxpayer at the lowest possible cost. Phoenix enhances the competitive atmosphere in which it operates through increased technology, labor-management cooperation, innovative practices and community involvement and support. The focus of the program is on solid waste collection, which impacts every household and provides citizens a means to evaluate municipal services on a first-hand

basis. Its primary objective was to win back City sanitation contracts and to save city revenues. Each year savings and cost-avoidance total substantially more than one million dollars. The program has also improved employee morale and labor-management relations, which in turn has resulted in productivity enhancements, innovations (e.g. retread tires) and participation in the competitive bidding process by department employees. "Competition with Privatization" allows government services to compete with private industry on an equal footing, as no decision to contract out is made prior to the call for private bids. Therefore, municipal agencies are encouraged to compete with private firms, rather than take a "do nothing" approach to providing services to the public. The Phoenix program encourages participative management, and cooperation between unions and the City, At present, the City has earned back all contracts that were previously lost to private contractors.

According to Savas, competitive contracting--which is one form of privatization--has been growing. Other jurisdictions--New Orleans, Kansas City, Newark, Oklahoma City, Minneapolis, Davidson County-- also compete with the private sector for sanitation services. (Savas (b)) In some such cases only part of the service is privatized. In another services area, for example, a regional school district might compete with private sector vendors to provide transportation services to local districts; it is conceivable that those services will be split between a public and several private contractors.

This public vs. private model can work, but it is not widespread enough to break the blind rush toward privatization. The momentum is

unimpeded despite Savas' caution that not all services lend themselves to contracting, and careful procedures must be followed in order to realize the full benefits. Although Savas (b) acknowledges that government "should be given an opportunity to compete with the private firms in an even-handed bidding process," he is rather pessimistic about contracting in. He does, however, describe competitive bidding by government agencies as having been effective in the United Kingdom. (Also see Hetzner) In particular, Savas points to problems of determining full pricing for agency bids so as to provide fair competitive comparisons with the private sector.

1. The Public Sector as a Competent Sector

We accept the concept of pure privatization as it applies to limited services which government can no longer easily or appropriately provide.

We accept the premise of government's critics that monopolies are inherently inefficient. As Savas (b) argues:

A government agency that enjoys a monopoly or is otherwise shielded from competition can be expected to behave no differently than a private monopoly: without the spur of competition, managers and workers alike generally lack the motivation to innovate, to seek better ways, to make changes, to work smarter or harder, or to increase productivity.

But we reject the premise that the private sector is inherently more efficient or effective for five reasons.

First, the use of private providers does not assure the existence of meaningful competition. Such factors as price fixing and collusion as to

exclusive territories has historically suppressed true competition in garbage collection, construction, road repairs, maintenance services, etc.

Second, where productivity improvement rates are measurable, the annual rate of improvement of public services is about the same as that of the private sector (Mark). In the United States, for both sectors the overall productivity improvement rate has been on the order of 1.5-2% per annum. Although neither rate is as spectacular as those in some of the Pacific Rim nations, for example, their positive direction and parallel nature indicates that both sectors can achieve steady progress using the same sets of competencies.

Third, there is a growing litany of cases in which private sector contractors failed to deliver public sector services as promised. Scandals and performance or financial problems have occurred in the management of jails and prisons, health services, public schools, and airports.

Fourth, for over a century the public sector has been adopting the "businesslike" principles first advocated in 1887 by reformers such as Woodrow Wilson (as a professor, not as a President). They are summarized below as "Five Great Ideas of American Public Administration."

Fifth, today there is a rapidly expanding database of successful state and local improvement projects which are evidence of efficiency and effectiveness, of having successfully applied the great ideas of public and private management. Competencies identified in our Exemplary State and Local (EXSL) Awards database (below) suggest that many government agencies are, indeed, "businesslike," and therefore competitive. These

award winners counter the stereotype of "government-as-inept." According to Goodsell: "Government compares favorably to the private sector in characteristics and performance, particularly when it is called upon to achieve what other sectors of the society could not achieve. Government works."

2. Five Great Ideas of American Public Administration

IDEA I: HONEST, BUSINESSLIKE GOVERNMENT

One of the continuing tug-of-wars in American public administration has been credentials (which implies competence) versus representativeness (which implies responsiveness). Even in the relatively small bureaucracies presided over by Presidents from Washington to John Quincy Adams, qualifications were relatively highly valued. Although there certainly existed political patronage, such patronage was not elevated to the level of political philosophy. George Washington, for example, claimed that government jobs should be given to "those who seem to have the greatest fitness for public office" (Tolchin and Tolchin 1971: 323). But in 1828, the influx of previously disenfranchised, propertyless masses into politics through the elevation of Andrew Jackson to the Presidency initiated a new administrative philosophy--"spoils." As opposed to government by an "elite," that system emphasized rotation in office as a means to achieving politically responsive administration. Almost any citizen was considered fit to carry out the "simple" duties of public management which was, after all,

just a matter of "common sense." In his first annual message to Congress in 1829 Jackson declared: "The duties of all public offices are . . . so plain and simple that men of intelligence may readily qualify themselves for their performance; and I cannot but believe that more is lost by the long continuance of men in office than is generally to be gained by their experience. They are apt to acquire a habit of looking with indifference upon the public interest" (Hofstadter 1954: 51).

Unfortunately, the price of responsiveness was high. Although the offering of gifts as corrupting bribes is a practice that probably dates back to the establishment of the first ancient public organizations, it was particularly rampant under Jackson's spoils system. During much of the nineteenth century at all levels of government graft was widespread and scandals were frequent. It was not unusual for a public official to receive very large sums for reasons of influence, not friendship. Such behavior is still not unusual in many developing societies. But corruption had high indirect costs. Inefficiency became endemic, graft widespread, scandals frequent not only at the federal level but also at the state and municipal levels where the spoils system prevailed. A large, increasingly industrialized and therefore more complex, nation could not tolerate such poor public service administration just as government was taking on new responsibilities. Municipalities had to deliver water, assure public safety, maintain smooth streets, fight fires and, by the end of the century, provide public education and regulate private utilities or mass transit systems.

Waste and dishonesty had to be curbed if government, and therefore a growing society, were to function efficiently. In the post-Civil War period,

reform movements appealed directly to the public for efficiency and honesty in both politics and administration. A common theme of reform emerged in the 1870s and dominated politics for half a century. Known as the Progressive Era, reforms would bring about significant changes in the administrative functions of government. Between 1875 and 1920 economic progress and turbulence changed the context of politics, stirring citizens to replace the corrupt machines and install administrators who would improve the atmosphere of cities for commerce, and thereby the quality of life. Old machine politics and the spoils system were blamed for every ill in society-- inefficiency, injustice, corruption, and even prostitution (Kaufman 1965: 129). Attacking the spoils system, reformers did succeed in defining "conflict of interest" as an immoral situation. It is now common to find such constraints on officials as the prohibition against having a financial interest in any company that their agency regulates or has commercial dealings with. Similar situations that are considered ethical within the "letter of the law" are increasingly coming into question on moral grounds.

The reaction--the first "great" theoretical foundation stone of American public administration--was a reform movement that appealed for efficiency and honesty in government. The Pendleton Civil Service Act of 1883 created a neutral, bipartisan Civil Service Commission the beginning of the system that now covers more than ninety percent of public employees. The establishment of a Civil Service system amid a prevailing atmosphere of reform provided both the means and the impetus for getting the job done with a minimum of wasted effort.

As a function of the reform movement, jurisdictions within the United

States began to establish codes of ethics, often written into the law; today those laws typically require that public services should be provided honestly, openly, fairly, and without discrimination. In short, we expect our bureaucrats to act within the law, not as a law unto themselves. Although compliance with the law is often cumbersome, as a matter of principle we as a society are willing to accept some inefficiency as the price of freedom; we recognize that one of the basic strengths of democracy is concern with the means as much as with the ends of government. To the public and the press, however, the rules and regulations which follow from the necessity to administer laws equitably are merely manifested as the frustrating "red tape" they so often deride.

The clear separation between politics and administration was demanded by reformers such as Woodrow Wilson (1887) (in his role as professor), who suggested a dichotomy between (1) policy determination via politics and (2) policy implementation via nonpolitical administration.¹⁾ Implementation of public policy in government would, then, according to Wilson, follow principles of more "businesslike" management. To do so, those managing governments needed to devote greater attention to the science of administering government, i.e. administrative principles and sound management: "Organization and methods of government should determine first, what government can properly and successfully do, and secondly, how it can do these things with the utmost efficiency... America needs to develop an administrative organization and skills for proper

1) For Wilson's role in formation of public administration in the U.S., see Stillman (1973); Van Riper (1984); and Cook (1995).

administration" (Wilson 1887). Only through competent, uncorrupted administration would government carry out the wishes of the people and their representatives. Public servants would be perceived as professionals, administration as efficient, and government as trustworthy. This reflected a second distinctive feature of the movement-- belief in a science of administration (or the "one best way" of doing the things), in addition to a belief in expertise, which non-political public servants were to represent.

Later, Frank Goodnow (1900: 22) reinforced Wilson's points, interpreting the Constitution as a statement of "two distinct functions of government." Policy centered in the legislative and then judicial branches, and was only to be administered by the executive. Policy was an expression of state will, depoliticized administration the execution of that will. The thrust of the turn-of-the-century reform movement was captured in the saying, "There is neither a Democratic nor a Republican way to build a road, just the right way." Thus, the Reform Movement was evolving in two main directions: 1) neutrality of personnel and 2) improvement of efficiency, mostly on local level.

In 1894 the First Annual Conference for Good City Government organized the National Municipal League as a forum and coordinating body with the objective of formulating a plan that could be supported nationally (Shafritz and Hyde 1991). Two hundred affiliated societies, such as the Bureau of Municipal Research in New York, developed a theory of good government that rested on four fundamental elements and associated reforms which held that:

--The efficient delivery of public services is central to the public

interest;

--Administration of public services must be separated from politics, and would operate through independently elected boards and commissions;

--Experts with specialized training, appointed under a civil service merit system, would comprise a permanent civil service and could implement scientific methods;

--Government would be operated as a business by applying principles of scientific management, including proper budgeting and accounting procedures and competitive bidding.

By the turn-of-the-century, the Reform Movement had achieved significant changes in the practice of public administration, particularly in the areas of fiscal and personnel management. Galveston, Texas, for example, became the first city to be run on the business model, and this model was subsequently adopted by more than 450 municipalities prior to World War I (ICMA, 1994). The city manager model was implemented in the first decade of the century in several municipalities. With the advance of reforms, the rhetoric of reform also began to change. If personnel reform was seen by many in the 1880s as an "high moral endeavor," by the beginning of the century it was mostly seen as a more pragmatic "matter of improving the quality of administration" (Waldo 1984: 29).

IDEA II: CLASSIC MANAGEMENT MODELS

The establishment of a Civil Service system amid a prevailing atmosphere of reform provided both the means and the impetus for more

"businesslike" government. Following Wilson and other reformers who suggested that the running of government needed to be made more businesslike, the dominant ideal became machinelike efficiency in getting the job done with a minimum of wasted energy. But although the business sector was often pointed to by government's critics as a model of efficiency, neither "businesslike management" nor "common sense" were adequate guides in these complex matters. The business model (whether applied by public or private organizations) still came up short: the "right way" to run an organization was simply neither self-evident nor intuitive. Honest "common sense" proved inadequate as an efficient, productive guide to managing complicated systems in complex organizations. Paradigms were needed.

Studies of the business organization had given rise to a number of supposedly universal "laws" or "principles" of administration and to a procedure, scientific management, by which optimum efficiency could be achieved. It was no more than logical to borrow these discoveries for application to the management of public sector organizations, and such management was defined within the "closed model." Or, as Willoughby (1927) wrote, "...in administration, there are certain fundamental principles of general application analogous to those characterizing any science which must be observed if the end of administration, efficiency in operation, is to be secured..." Urwick (1937: 49), concurred:

There are principles which can be arrived at inductively from the study of human experience of organization, which should govern arrangements for human association of any kind. These principles can be studied as a

technical question, irrespective of the purpose of it, or any constitutional, political or social theory underlying its creation.

Generic principles of organization were, then, considered applicable to the management of public sector organizations within the "Closed Model" (administrative, bureaucratic, mechanistic) that describes organizations in which organizational interests dominate the interests of individuals. The interests of these organizations are concentrated on efficiency and effectiveness, specialization and obedience to authority. The closed model of organizations is described by such terms as bureaucracy, hierarchy, pyramid, or vertical, formal, rational, and mechanistic.

Under the rubric "scientific management," the works of Frederick Taylor (1903; 1911; 1923) and his followers demonstrated the efficiencies in having management study, identify, and then teach workers the "one best way" of performing each task. However, these management theories proved in the long run to be inadequate for explaining organizations satisfactorily. They failed to account for the complexity of human nature or for the impact of an uncertain and changing environment. But if they omitted the muscle and the flesh, they did provide an understanding of the skeleton: Organizations are made up of certain parts and processes that have to be "managed." Taylor's assumption was that a manager's job is a result of division of labor and it is a separate full-time job to manage. Thus, Taylor's theoretical framework included the notion that management has:

- (1) the responsibilities for discovering the best ways to plan and perform all aspects of operations, and
- (2) is charged with training and developing each individual in the

establishment [organization], to enable that worker to do the "highest class" of work to the limit of his natural abilities.

Although his principles were resisted by organized labor within government, Taylor's work helped to set a model for government by defining the formal model of organization as a rational, legitimate, institutionalized relationship of people formally managed or coordinated from one center in order to accomplish certain common predetermined goals, objectives, or purposes.

According to Henri Fayol (1949) and others, working in an industrial context, basic elements of formal or administrative organization are specialization, authority, hierarchy, division of labor, communication, standard procedures of operations and management. The combination of these elements, and the relationships between them, defines the structure of the organization, or organizational structure.

Within the public sector, the types of organizations that Taylor and Fayol helped to define, in industrial terms, fit within the bureaucratic model defined by German sociologist and political scientist Max Weber. The basic prototype of such a model was described by Weber as an "ideal-type" bureaucracy (Weber 1968; 1971). Weber's "ideal type," or model of bureaucracy, describes an arrangement of positions that he considered to be the "most rational known means" of accomplishing objectives. According to Weber, the bureaucratic form routinizes the process of administration exactly as the machine routinizes production. Efficiency is achieved through the creation of a fixed division of tasks, a well-defined hierarchy of authority, impersonality and detailed rules and

regulations. Weber viewed bureaucracy as based on a more progressive type of authority than did previous historical formations. As opposed to kings who held traditional power and extraordinary leaders who wielded charismatic power, bureaucracy was based on legal-rational authority. This helped make it both more vital and more efficient, although the popular understanding of the term bureaucracy is associated with unresponsiveness, red tape, and bungling inefficiency.

The chief characteristics of the Weberian model include: universal rules impersonally carried out, use of written records, division of duties into spheres of competence, training for each position, selection on the basis of competence, hierarchical arrangement of offices, salary based on position, and tenure of office. These characteristics make for an enduring, predictable, efficient organized "machine." In a well-run bureaucracy, of which the best military divisions and agencies are the most appropriate examples, operations are managed in such a way that often the best compliment is "like clockwork." It is often the most efficient model in terms of logic, cost, speed, control and operational stability. Basic features of this model are: politically predetermined and clearly stated goals, centralized authority, a strict chain of command, and a prescribed set of impersonal and interconnected regulations for all aspects of the organization's activities (management and employees rights and duties, punishments and benefits, operating and managerial procedures, etc.). The core element of the structure of every public bureaucracy is strict hierarchy, with a single chief executive on the top. Each position is under the direct administrative control of the supervisor one level above.

Functions, rights and duties are assigned to the positions and not to persons. Each member of the organization has limited, clearly defined rights, duties, powers and expertise, fixed in written instructions. Vacancies are filled and promotions are accomplished due to formal technical qualifications (certificates, degrees), seniority and/or achievement.

Whereas Taylor (an American) emphasized more of an engineering understanding of efficiency -- performing a particular job in one best, scientific way so to produce maximum output from each worker -- Fayol (a Frenchman) and Weber (a German) put more of an accent on coordination and control, so as to produce maximum output from an organization. It is often argued that this difference was a result of different American and European experiences (Hofstede 1993).

Building on the type of work and principles that Taylor, Fayol and others developed in the industrial context, Gulick and Urwick (1937) identified a set of processes that take place in every organization. They gave us the acronym POSDCORB (Planning, Organizing, Staffing, Directing, Controlling, Reporting and Budgeting). Each of these processes was linked to rules for their "healthy conduct." For example, Gulick and Urwick identified and advanced the concept of specialization so as to better utilize the varying skills and aptitudes of different workers. With the advance of specialization, they also recognized a heightened need for coordination of work. Coordination was to be achieved by (1) a structure of hierarchical authority, and (2) the development of a singleness of purpose in the minds and wills of those who are working together.

Organizations should always adhere to the (scalar) principle of a chain of command with unity of command. Urwick's (1952) "Ten Principles" describe guidelines for organizational design which should be used in building up any formal organization.

(1) Principle of the Objective. Every organization and every part of every organization must be an expression of the purpose of the undertaking concerned, or it is meaningless and therefore redundant. You cannot organize in a vacuum; you must organize for something.

(2) Principle of Specialization. The activities of every member of any organized group should be confined, as far as possible, to the performance of a single function.

(3) Principle of Coordination. The purpose of organizing per se, as distinguished from the purpose of the undertaking, is to facilitate coordination, unity of effort.

(4) Principle of Authority. In every organized group the supreme authority must rest somewhere. There should be a clear line of authority from supreme authority to every individual in the group.

(5) Principle of Responsibility. The responsibility of the superior for the acts of his subordinate is absolute.

(6) Principle of Definition. The content of each position, both the duties involved, the authority and the responsibility contemplated, and the relationships with other positions should be clearly defined in writing and published to all concerned.

(7) Principle of Correspondence. In every position the responsibility and the authority should correspond.

(8) The Span of Control. No person should supervise more than five, or at most six, direct subordinates whose work interlocks.

(9) Principle of Balance. It is essential that the various units of an organization should be kept in balance

(10) Principle of Continuity. Reorganization is a continuous process; in every undertaking specific provision should be made for it.

In 1937, President Roosevelt charged the Brownlow Committee with seeing that American democracy can efficiently do the job required of it. The Brownlow Report, under Gulick's direction, represents the high point of an impetus for scientific management in government. As opposed to the Papers on the Science of Administration (1937) which did not elaborate on political assumptions and the implications of generic administrative science (Golembiewski 1989), the Brownlow Report was more forthcoming on this issue. According to Rohr (1986) it "attempts to ground scientific management in constitutional theory and fundamental principles of American government."

To the field's credit, principles of management were not naively accepted as universal absolutes. Herbert Simon (1946) challenged the concept of principles in administration, likening them to proverbs. He identified contradictions, suggesting that these so-called principles should merely be treated as possible prescriptions, depending on a situation. In his landmark study, Simon (1975 [1947]) instead reoriented inquiry in the field of public administration, and organizational science in general, to decision-making. Drawing from the philosophy of logical positivism, Simon distinguished between values and facts, and identified a value-fact chain as a knowledge

basis for different levels of the organization, where the means for a higher level could be interpreted as ends for the lower levels--and thus lead to rational decision making based on limited, but more or less unambiguous knowledge. Rationality, though, is not comprehensive, but "bounded"--both by human cognitive abilities and costs related to acquiring that knowledge. Analyzing decision-making process, Simon showed that human decisions in reality are not based on the principle of maximizing results--it would have been too an ambitious and costly a task--people rather "satisfice" (a term coined by Simon from satisfy and suffice). Simon's and his colleagues' work (e.g. March and Simon 1958; Simon, Smithburg and Thompson 1950) is considered to be the peak of the classic school, or as it is often branded, constitutes the "neoclassical" school in management.

IDEA III: POLITICS AND POLICY MAKING

Idea I underscored competence premised on neutrality, and Idea II competence premised on efficiency. Inflexible adherence to assumptions of neutrality, businesslike management and the one best way, however, leaves little room for compromise between the competing values that characterize the environment public agencies work in. Contemporary public administration must stress the interaction of political values and administration: the exercise of administrative discretion in interpreting policy directives, the need to decide between countervailing values and interests, and the relation between external and administrative advocates of policies. Idea III critiques each aspect of the policy process: the need to

decide, the need for information and the role of the expert, and the rational and incremental decision styles.

As opposed to the relatively naive assumptions of 19th Century reformers, 20th Century analysts accept the reality that major appointed administrative officials often take the lead in making policy, and officials at lower levels must be involved in interpreting policies. Policies in the 19th century were predominantly distributive-- in the framework of limited government-- and did not require as much interpretation as regulatory and redistributive policies that became prevalent with the welfare state.²⁾ With the advent of Depression-era "Big Government," with the blossoming of New Deal programs, public administration has recognized that the assumed dichotomy between politics and administration is not realistic. A major trend has been the movement away from the preoccupation with "neutrality" and toward realization of the the "politics" aspect of administration. Although early advocates of administrative neutrality had argued that administrators merely implement public policies, that assumption now seems naive. We now recognize that values intrude on administration from many external sources and are also present in even supposedly "objective" internal decisions as to policy implementation. Bureaucrats are policymakers as much as are any other participants in the process. A more realistic concept is: public administration = politics + management.

Although there were always voices against the naivet* of viewing public administrators as "neutral," the frontal assault on the subject began in

2) For typology of public policies, see Lowi and Ginsberg (1992).

earnest in the 1940s, gathering momentum by the end of WWII. Paul Appleby (1949: 43) argued that "arguments about the application of policy are essentially arguments about policy." Dwight Waldo (1984 [1948]) found studies of public administration to be grounded in political theory. Norton Long (1949) argued that "the lifeblood of administration is power," and called everyone's attention to such aspects of administrative agencies as political survival and cultivating of clientele, etc. Selznick (1949) showed how the Tennessee Valley Authority (TVA)-- an independent public agency-- was able to survive and achieve its mission by adapting to local interests. Herbert Simon (1975 [1947]) showed that every decision is based not only on facts derived from administrative realities, but also on values. Later elaborating on this, Simon (1967) declared Wilson's postulate "the field of administration is field of business. It is removed from the hurry and strife of politics" simply wrong not only in the present, but in the past as well. Simon insisted that Wilson's postulate is rather normative than descriptive, and it should be understood as "the field of administration ought to be a field of business." Simon proposed to discuss the issues of power of a bureaucratic office not in terms of neutrality, but in terms of autonomy and predictability and reliability. When we speak about neutrality, Simon proposed, we must think about the predictability of the values that will be achieved by "impartial" actions of the bureaucracy. As far as values are not questioned, we can insist on neutrality. But when values change, we cannot be sure that the "neutral" routine of the bureaucracy is taking us to predictable, reliable societal values we endorse.

In 1956, Glendon Schubert, as described by Goodsell (1990), "butchered"

the idea of public interest, showing that each approach to public interest, which ought to guide neutral public servants in their activities, had underlying political philosophy (implications).

There are many theories prescribing different roles to administrators (bureaucrats) in a system of governance (Hill 1991). Some argue that bureaucracy is an instrument (e.g. a tool of economic elites in Marxist interpretation), some argue that it is a major player in a policy process (e.g. in Dahl's and Lindblom's (1953) "polyarchy"), and finally, some see it as a predominant actor (e.g. the "bureaucratic politics" model of Allison (1971)). Particularly popular has been the literature on policy subsystems.

The most common image of the subsystem is that of an "iron" (or "cozy") triangle, where the interest groups, Congressional Committees or subcommittees and the executive branch agencies decide policies in a closed consensual manner. But this is only one conceptualization-- the simplest form of policy subsystems. Such subsystems range from: (1) closed entities that are termed "iron triangles"³⁾ to (2) the still structured, but more open and knowledge-based, advocacy coalition framework of Paul Sabatier (1988) to (3) even looser structured policy issue networks of Hugh Heclo (1978), "where it is almost impossible to say where a network leaves off and its environment begins," to (4) the model of John Kingdon (1984), where public policy agendas are formed by random coupling of solutions, problems and participants (with their resources) in a period when choice opportunities occur. The portrayal of loose structures of policy

3) The term is used at least since 1964 by Douglas Cater, but got most prominence in the 1970s by Gordon Adams' study of defense contractors.

processes, such as Kingdon's model, are often criticized on the basis that they disregard the institutional basis of politics, because "institutions are more than simple mirrors of social forces" and that "political institutions define the framework within which politics takes place" (March and Olsen 1989: 18). There is often an argument that policy subsystems differ across policy types (Ripley and Franklin, 1991). An important aspect of models of policy subsystems more complete than the iron triangle is their closer attention to knowledge and argumentation, and that they are based on more sophisticated models of decision-making than rationalistic and incrementalist approaches.

For considerations of space and simplicity of the argument, we will concentrate on a more balanced view of the "politics" school, arguing that in a political system in which many groups have a voice (pluralism), bureaucrats with substantial expertise play key roles. Indeed, legislation is written as often by bureaucrats as by legislators. The bureaucracy is as capable as any other participant in the political process of mobilizing support for its interests, as likely as any to become part of a policy-making coalition. Laws are administratively interpreted in their execution. Written in only a few pages, they must be interpreted in many and often unanticipated specific situations. Thus, as the final step in the policy-making process, administration is the "last chance" to influence policy, the ultimate focal point of the process. Administrative discretion, then, is a fact necessitated, rather than precluded, by the law.

It follows that administrative agencies are the objects of outside pressures, often by interest groups and legislators, because administrative

initiative in drafting policy and administrative discretion in interpreting policy inherently include value preferences, and even so-called "technical" decisions are actually value laden.

After a policy is formulated, its implementation is far from assured. Interest pressure fields are also to be found inside public organizations. Rourke (1984) argues that administrators should play active roles in policy development and implementation; because of their powers of discretion--creating favorable attitudes among the public, organizing clientele, and cultivating goodwill with legislatures -- agencies become the objects of policy preferences from external sources interest groups, legislators, the media, individuals. Internally, within an agency, officials often become advocates for the external pressures to which the organization is subjected arguing for or against certain positions and interpretations-- for or against strict standards, advocating or disparaging the necessity for tighter controls. Having won policy victories in the legislatures and the courts, representatives of those groups have shifted their efforts and tactics to the less glamorous bureaucracy in order to achieve effective policy implementation. External groups are increasingly sophisticated enough to appreciate the need for political support the need to mobilize external forces for supposedly "internal" decisions. Of course, some groups may work to weaken implementation; after an initial decision to tighten standards, an industry may place direct pressure on the bureaucracy to reverse or weaken the decision. And, within the bureaucracy, top-level officials may well reflect those arguments.

The budget is a particularly important policy arena, one in which the

roles and skills of administrators are critically important. Every government, whether city, county, state, or national, operates under an authorized spending plan --a budget. Because budget documents are massive tomes, filled with figures, they are commonly thought to be dry, dull, and unexciting. But nothing could be further from the truth. Money is the lifeblood of an agency or a program: Its budget will determine how many people will work and what facilities will be available to them. The struggle for such allocations is a life-and-death struggle, a struggle over values. Should the available dollars go for police patrol or for ambulance drivers or for a remedial reading program? As V. O. Key Jr. (1940) argued, the answer is not a matter of logic, but of preferences and priorities. Key (1940) posed the question of normative budgetary theory: "on what basis shall it be decided to allocate X dollars to activity A instead of activity B?" His answer was that in public budgeting it will be hard to find such criteria, because it becomes "a matter of value preferences between ends lacking a common denominator. As such, the question is a problem in political philosophy." Later, elaborating on this question, Wildavsky (1961: 184) concluded that "a normative theory of budgeting, therefore, is utopian in the fullest sense of the word; its accomplishment and acceptance would mean the end of conflict over the government's role in society."

Any seasoned bureaucrat will readily admit that bureaucratic decisions--budgetary or otherwise--are often political decisions. Employees are hired to appease one or another influential individual; contracts are awarded to relatives of high officials; ex-officials become consultants at

lucrative salaries. Complicity in such actions is not usually for personal gain but for the sake of keeping peace. One of the first laws of bureaucracy is "don't make enemies." Sometimes bureaucrats avoid making enemies by avoiding hard decisions, although a decision not to decide is still a decision, albeit a non-decision. Sometimes their interests are so threatened, as at the height of financial crises in which they have been hard put to stave off severe budget cuts, that they become overtly political. To demonstrate their program's importance and to demonstrate the political costs of slashing their funds, they enlist their natural allies worker organizations such as fireman's union, client groups such as commuters, or a neighborhood, such as that around a hospital. The representatives of special interest groups lobby vigorously, and often with the active cooperation of the bureaucracy involved, to restore budget cuts that a chief executive or legislative committee has proposed. The resulting budget document reflects the relative successes and failures of the various contenders. The same dynamics are at work on the federal, state and local levels.

Bureaucratic discretion is often condemned as permitting uncontrolled actions by the bureaucracy, actions which may be considered unintended by policy makers or illegal by the courts. Should bureaucrats be able to make decisions with potentially important political consequences? The political power of the bureaucracy has not only been acknowledged as real, but, in the tradition of Herman Finer (1941) was criticized on the grounds that too broad an assumption of power to administrative agencies is unconstitutional. The most important recent critic of too broad

administrative discretion is Theodore Lowi. Since his *The End of Liberalism* (1979) first appeared in the late sixties, Lowi has repeated over and over that until the rise of the administrative state the United States was a republic dominated by the legislature, which is true to the letter and ideology of the Constitution, claiming that all the power should reside in Congress (Article I) . Because new interventionist programs of the government gave discretionary powers to bureaucracy and were tailored to specific groups, they soon became captive to these interest groups. This new phenomenon is called interest-group liberalism, based on its optimism, faith in government, fragmentation and proliferation of interest groups. Such government is not very effective, and ideology is only important to the extent it shows which politician is related to what group. This "delegation of broad and undefined discretionary power from the legislature to the executive branch" leads to "legiscide" (Lowi 1991), and ultimately, deranges "virtually all constitutional relationships and prevents attainment of the constitutional goal of limitations on power, substantive calculability, and procedural calculability (Lowi 1993: 151). Lowi (1991) also criticized the open-ended "entitlement" legislation on epistemological grounds, arguing that instead of holistic, comprehensive solution to all problems that always snowballs to more legislation with even wider discretionary power, a pragmatic piece-meal approach to every problem should be applied.

In response to criticism by Lowi and others, there have also been arguments for discretionary powers of public agencies, for delegating authority to experienced bureaucrats for implementing and interpreting legislation under principles of administrative law. For example, taking a

step beyond the thesis of Norton Long (1952) that bureaucracy is the most representative American governmental institution, John Rohr justifies public administration on the grounds of truly "microcosmic" representation of the American public (because there are no elections, public administration can be rational and implement policies like affirmative action) (Rohr 1990: 72). Kenneth Warren (1993) does not see a point in debating the legitimacy of public administration-- it is more than legitimate. Warren sees the administrative state as legitimate for two reasons: a) it is a response to people's non-decreasing demand for services; and b) the legitimacy of the administrative state was upheld by the courts.

One way to make this policy-making process more objective is to make it more logical. Furthermore, perspectives on how decisions are made often are the frameworks for fuller models of policy making. The rational-comprehensive school, for instance, argues that the best decisions are made logically. Advocates of rational-comprehensive decision making hold that all consequences of a decision should be accounted for and that making policy in bits and pieces may blind policymakers to the overall consequences of their decisions. However, even the advocates of this school do not now speak about absolute, all-encompassing rationality, but rather about the concept of "bounded rationality" (Simon 1975). They hold that although rational-comprehensive decision-making is impossible, one should approach it as closely as possible.

Alternatively, incrementalists defend the present "muddling through" process as more realistic, as being able to respond to the interests of many groups without freezing out any, as being able to respond to crisis

pressures and deadlines, and as not requiring the massive investments of time and effort that "logical" decisions necessitate (Lindblom 1959). Decisions to implement policy are usually made in small steps, incrementally, rather than through an all-encompassing, rational plan. Incrementalists argue that crisis pressures and deadlines limit the amount of time that can be devoted to analysis. The incremental approach constitutes "muddling through," selecting alternatives that are simply satisfactory and sufficient.

Incrementalism is criticized from many angles. Often it is attacked on the grounds that it justifies the status quo and ignores the possibility of fundamental change (Dror 1964). Critics of incremental decision making also question the consequences of such a mode of action. They ask: do programs which develop incrementally tend to persist and grow over the years without any real scrutiny? does incremental policy making obscure the overall perspective? One response to incrementalism has been sunset laws that mandate periodic evaluation and weeding out of programs. For example, in the 1970s Colorado pioneered in passing a "sunset law" at the urging of the citizens' organization, Common Cause. Under Sunset legislation, an agency or program now automatically goes out of business at the end of a given period, unless the legislature acts specifically to renew or modify it.

Another perspective on decision-making process has been Amitai Etzioni's "mixed scanning" approach, which tried to "explicitly combine (a) high-order, fundamental policy-making processes which set basic directions and (b) incremental ones which prepare for fundamental decisions and

work them out after they have been reached" (Etzioni 1976: 385).

Decision-making is far less rationalistic in the "garbage-can" model of decision-making, where problems, solutions, decision makers and choice opportunities are independent, exogenous streams flowing through a system that couple randomly (Cohen, March and Olsen 1972). As has been argued above, these models of decision-making often serve as a framework for explaining the political role of bureaucracy in the process of governance. For example, both John Kingdon's (1984) study of agenda setting and March and Olsen's neo-institutionalist model of politics are based on the garbage-can model of decision-making (though different readings of it), just as the iron triangle model is based on Lindblom's incrementalism.

IDEA IV: HUMAN BEHAVIOR

Turn-of-the-century reformers were concerned with the means to efficiency: getting the job done with a minimum of wasted energy. Although management theories primarily derived from the private sector did provide an understanding of the organizational skeleton, they proved to be inadequate for satisfactorily explaining behavior in organizations, public or private. In particular, they failed to account for the complexity of human nature or for the impact of an uncertain and changing environment.

An important tenet of the management model was the assumption that in exchange for a fair day's pay someone competent could always be found to fill any vacant slot in the organization, to complete any task. Classical administrative theory assumed that the only factor that motivated

people to work was money. Money would be a sufficient motivator, whereas personality, individuality, and social interests were irrelevant to job performance. That theory is still held by many managers today.

Human behavior theorists, on the other hand, maintain that in their actions people are encouraged and discouraged by many other incentives and stimuli; they have needs other than remuneration. For example, in the most popular theory of motivation, Maslow (1943) identified five levels of needs: 1) "physiological" needs, such as food and shelter; 2) safety needs; 3) belongingness, a desire to be part of an informal social group; 4) esteem and status needs; and finally, beyond these needs, the most powerful motivator may be (5) a need or desire to self-actualize to do work that is personally meaningful or fulfilling. Of these needs, the lowest dissatisfied need was suggested to be the strongest motivation of a human being. Of course, Maslow's, as well as others' theories of motivation (e.g. Herzberg and Mausner and Snyderman 1959; Vroom 1964; McClelland 1961) did not deny that money motivates. Rather, they underscored the complexity of human nature, and pointed out many other mechanisms of motivation.

The behavioral model stresses the importance of human relations and personal goals. If the closed model concentrates primarily on a technical system of organization -- a system that produces products or services or maintains operations -- the behavioral model recognizes the equal importance of the social system -- a system composed of the employees who operate the technical system. This model is a modification of the closed model that brings to management's attention the social and

psychological sides of organization. The focus of the model is still internally directed as in the classical model insofar as it is mostly concerned with internal management of an organization. But it recognizes that people in organizations often interpret things differently and have different concerns and worries. So, in essence this approach is more flexible and accommodating.

The majority of organizations in modern society follow this model. Most managers understand that, first of all, they deal with people; therefore, they are necessarily concerned with the emotional and psychological well being of employees. Any technical system can fail, and often does, when the social and psychological needs of the people operating the system are neglected. Thus, often there is a need to look behind the formal structural charts of an organization to the "informal" organization in order to grasp the complexity of cooperative human endeavor. This perspective has gained hold in organizational science in the U.S. since the 1940s, especially at the time the Hawthorne studies became widely publicized, just before WWII.⁴⁾ This was partially due to the fact that social science established itself as a legitimate field of study, which facilitated a more "human" perspective on such concerns as organizational effectiveness.

The term informal organization was introduced to the management literature by Chester I. Barnard (1938) and the first documented study of the phenomenon by management specialists was known as the Hawthorne

4) Hawthorne studies were not embraced by all. Organized labor long disregarded or opposed to it, and many studies questioned its basic assumptions. See, Wren (1994) for details.

Studies. In their experiments in the late 1920s and 1930s, in Western Electric's Hawthorne, Illinois plant, Elton Mayo (1945) and Fritz Roethlisberger (1941) revealed that the primary working group (or, the arrangement of everyday, routine working relations in the group) was as important for productivity as were physical facilities and monetary remuneration. As the Hawthorne studies indicated, a group has its norms as to appropriate attitudes and behavior on the part of its members. These norms are enforced through sanctions, in the form of social and other informal pressures on deviant members. In general, groups serve the organization by providing social satisfactions and control. But it can also happen that the selfish goals of a group displace the goals of the overall organization. As critics of the Weberian model have pointed out, the actual functioning of a real-life bureaucracy leads to situations of "goal displacement," where members treat the rules as if they were major ends in themselves; sometimes they take goal displacement to the point of "suboptimization," regarding their departmental interests as more important than broader organizational goals.

Barnard (1938) argued that the informal organization was fulfilling necessary functions for the organization (which, in Barnard's definition, is a cooperative endeavor), namely: communicating; maintaining cohesiveness in a formal organization; and supporting the feelings of self-respect and integrity of the employees. Barnard also argued that as formal organizations create informal ones, informal organizations in turn give rise to some form of formal organization, which makes explicit relationships and attitudes that have developed informally.

An informal organization system is usually considered to fulfill the following functions: (1) augment, interpret, speed up, or alter the formal communication system (or lack of it); (2) regulate the flow, extent, manner, and enforcement of formal authority; (3) "humanize" the formal organization by helping to maintain a feeling of individuality of the members, while providing some security, unity, and integrity at the same time; and (4) meet related psychological and social needs to such an extent as to give the impression of being the organization (Banki 1981).

Informal organizations can soothe frictions that arise in formal organizations. Although as a function of inertia they may resist change, sometimes informal organizations are agents of change. As such, the informal organization may be considered as a modified and advanced form of task force and team building activities. It deals with those urgent problems or opportunities that affect the organization as a whole and which involve more than one unit of organization. Usually, these are problems focused on the future; they are new to an organization and extremely complex. In informal organization, hierarchy-based relationships and attitudes are set aside to facilitate creative problem solving (although unintended outcomes may be dysfunctional). In such an interpretation, the informal organization uses task-oriented, team-building activities which involve a change agent, data gathering, feedback and process consultation. Informal organizations can identify and solve systemic problems which have not been solved by the formal organization, thus creatively complementing it. Both organizations contain the same people. The output of the informal organization represents an input to the formal one. The

success of the former is linked to that of the latter (Huczynski 1987; Zaud 1981).

The behavioral model also stresses the responsiveness of organization to internal conditions and to the external environment. It underscores needs for more decentralization and less hierarchy, weaker chain of command, and more freedom for lower level managers in the decision-making process. Not only managers, but other employees, are expected to be part of decision making. They are encouraged to work in problem solving teams which are led by people who do not necessarily occupy high positions in the hierarchy but who are recognized (due to their personal accomplishments and ability) as being able to build successful relationships. Constant training and learning of both employees and administrators is supposed to be one of the major concerns of the management. The idea that use of informal structures can lead to better performance is not new. In 1951, researchers at the Tavistock Institute in England studied the adjustment problems of informal work organizations, when the ownership and technology of the coal mines changed (Trist 1963). This five-year study illustrated that sizable informal work groups in several mines, when allowed to be self-regulating, were more capable of adapting to changes in the technology of work.

The behavioral model is a transition from a closed to open model. The open model (organic, systemic) is a concept describing organizations in which authority and expertise are shared, hierarchy is less important, horizontal lines of communications dominate, and immediate response to environmental change is one of the basic managerial strategies. Essentially,

organization is viewed as a social system of human interaction, rather than group of humans attached to a certain technology. Though some routinization and standardization are essential components of effectiveness in any formal organization, the open model gives priority to creativity and innovativeness.

In the open model, an organization's decision-making process is totally decentralized and is by consensus rather than by individual judgment of the formal (or even informal) leader; formal rules and instructions are almost eliminated; broad crossdisciplinary skills are of great importance; and the number of managerial levels is held down to the minimum.

Studies of behavior within organizations have consistently found that the most productive employees do not function optimally under a "man as machine" model, which presumes laziness and irresponsibility, and is prevalent in many areas of the world. Wages and fear are obviously motivators, and obviously widely utilized. But they are only productive to relatively low limits. Research and experience found that even organizations with well-paid employees could not expect high productivity unless they took higher order psychological needs into account. Simple, fear-based assumptions were not valid: people remain individuals, even in the workplace, and are affected and moved by many forces, of which money is only one. As individuals, they can be "turned on" or "turned off" by their organizational roles, depending on what the situation offers them psychologically, and whether the organization treats them as mature, vibrant adults or as lazy, dependent drones. Management theorists have come to realize that people tend to join social groups on the job, and these

groups develop production-oriented norms of their own to which the individual is expected to adhere. In particular, public servants may have more intrinsic motivations than their extrinsically-motivated private sector counterparts. Human behavior, therefore, reflects not only organizational, but personal and group, pressures.

Douglas McGregor, Rensis Likert and Chris Argyris contributed to defining the theory of Organizational Humanism. Differing from the simpler perspectives of scientific management and the human relations school, they held that work itself could serve as a source of motivation and satisfaction to the worker. Building on Maslow's theory of human needs, McGregor (1960) classified managerial assumptions about human nature into Theory X and Theory Y--the hierarchical and the interpersonal. Theory X assumes that people do not like work, shun responsibility, and prefer to be led. Motivation is in response to threat or punishment. Theory Y holds that people are intrinsically motivated, have the potential for self-development and a capacity to assume responsibility; and that they prefer, and can provide, self-control in achieving organizational goals. According to McGregor, management practices are largely shaped by these diametrically different views. Depending on the circumstances, success can be reached through either approach. As organizations become more complex, however, managing becomes more complicated, Theory X assumptions are less helpful, and Theory Y styles of management that recognize delegation of authority, job enlargement and participation must get more recognition.

The model of effective organizational structure, developed by Rensis

Likert (1961), consists of participative work groups as an important source of individuals' need satisfaction. By creating "supportive relationships," managers can facilitate the productivity of such groups. Likert also constructed a typology of organizational leadership. He distinguished four types of leadership style: (1) exploitative authoritative, (2) benevolent authoritative, (3) participative consultative and (4) participative management systems. Research found systems 3 and 4 to be more productive (Hollway 1991). On the other hand, critics of this theory argue that whereas managers' preferences are invariably with System 4 democratic participative management, in reality most organizations practice benevolent authoritarianism of System 2, and often not without success (Perrow 1987).

Chris Argyris (1957) also emphasizes the importance of the human condition, that the individual and the formal organization as two elements are often in conflict, seeking separate goals. Argyris (1957) contends that "the formal organization creates in a healthy individual feelings of failure and frustration, short time perspective and conflict." The management model's chain of command, unity of direction, span of control, and task specialization are repressive and restrictive devices which are dysfunctional insofar as they deprive individuals of their potential for growth and self-actualization. Argyris suggests that an individual's participation in decisions affecting his or her work will give individuals greater job satisfaction and generate higher productivity.

From a systemic perspective, however, individual motivational factors are necessary, but insufficient. Recognizing that insufficiency, the Organization Development school has had as its goal the integration of individual and

organizational objectives in "a long-range effort to improve an organization's problem-solving and renewal processes, particularly through a more effective and collaborative management of organization culture." It takes the "ongoing work team, including supervisor and subordinates," as its foundation and "puts a primary emphasis on human and social relationships" (French and Bell 1973: 15-20).

As a function of Idea III, these theories of individual and group behavior are widely taught in public administration programs and have been adopted within many government agencies. Psychological motivators are particularly important in an arena in which pay lags the private sector. For many people, government is where the meaningful action is, not necessarily where the pay is. Civil servants often feel they are a part however small--of something worthwhile (Rainey 1991).

But government has also begun to recognize that an unanticipated consequence of the bureaucracies we have established to serve the public is their disservice to their own employees. In place of incentives to produce, there are often too often pressures to be mediocre. Somehow a new, bright, eager public servant quickly receives messages not to work too hard, not to outperform their superiors, not to rock the boat. He or she too often becomes an individual who has bartered conscience for security, a survivor, a faceless product of the necessity "to go along to get along." In short, they are successful bureaucrats who maximize their individual benefits while giving minimal attention to responsibilities to their clients. A lackadaisical attitude is often reinforced by the knowledge that nonperformers are seldom fired.

Following this line of reasoning, for example , R. Hummel (1994), in his study of bureaucratic experience, has outlined several effects of bureaucratic organization on people:

(1) The top-down structuring of work creates the kind of passivity when employees wait for the hierarchy to tell them what to do.

(2) The self-concept of the functionary in bureaucracy develops in terms of organizational identity, integration and similarity in relation to the rest of organization. In this way bureaucracy creates dependency of the individual self on structures of the organization.

(3) People are viewed as interchangeable functional elements of a system and qualitative differences between them do not make a functional difference. Quantitative measurement is a standard for what is real.

(4) By instilling the practice of analogous thinking, bureaucrats are trained to act only when they recognize aspects of reality matching predefined models for action.

Several other theorists have analyzed human experience in organizations from subjective theoretical perspectives. Denhardt (1981) applied a critical perspective for analyzing human existence in "the shadow of organization." The phenomenological approach has been applied to studying political aspects of bureaucratic life (Harmon 1981; Jun 1986), and internal workings of bureaucracy, often concluding that a traditional bureaucratic environment further confirms in both supervisors and employees reliance on the existing order of things.

Most recently, theorists of the "Learning Organization" have constructed a contemporary behavioral model of human performance. According to

Dilworth (Chawla and Renesch 1995: 243): "An organization's ability to survive and prosper in our turbulent age requires new ways of thinking and organizing...It demands the confluence of two streams of thought...continuous improvement (Kaizen) and continuous learning."

IDEA V: PROGRAM EFFECTIVENESS

In the era of Weber and Taylor, the environment within which an organization functioned was relatively steady, and the tasks of the government were limited and simpler. The years since have seen rapid change and demands upon government have become multidimensional. Although not always very timely and state-of-the-art, the response of public administration has been more than adequate: through building and reinforcing multiple capacities, it has managed the American welfare state quite successfully. World War II gave rise to Operations Research--a science of maximizing allocation of limited resources for attaining maximum benefit, which emerged as a policy tool useful in coordinating large-scale logistic efforts of the armed forces. Since the 1950s, the systems approach has become a framework for analyzing public programs. Versions of this approach include cost-benefit analysis, institutionalized use of which in the United States is often traced back to the U.S. Flood Control Act of 1936 (Hatry 1982: 167). By the 1950s, it had become an established feature of water-resources policy. Cost-effectiveness analysis gained momentum in the Department of Defense in the beginning of the 1960s, when the Secretary of Defense Robert McNamara initiated the

Planning Programming Budgeting System (PPBS)-- a programmatic approach of systematic comparison of different programs in terms of their unit costs or effectiveness per dollar spent. To put the massive governmental effort of the War on Poverty on "scientific" rails and answer questions about the effectiveness and efficiency of Great Society programs, President Johnson ordered the use of PPBS for all executive agencies in 1965 (it was officially terminated in 1971). An entire cottage industry of policy analysis and program evaluation emerged. A variety of approaches have been proposed for program evaluation (e.g. Chelimsky 1989). Although these studies have been largely cast in terms of economic efficiency and effectiveness, they also incorporated some perspectives from organizational sociology and other related disciplines. An influential study of public policy implementation in Oakland, California, by Jeffrey Pressman and Aaron Wildavsky (1984 [1973]), gave rise to yet another stream in this direction for public administration: how programs are implemented and what are the obstacles to these processes. In their analysis, Pressman and Wildavsky (1973) not only paid attention to economic benefits of the programs, but underscored the importance of the "complexity of joint action." Implementation studies since have proliferated and many frameworks have been proposed (e.g. Sabatier and Mazmanian 1979; Alexander 1985; 1975)

Post World War II expansion of the government services and growth of knowledge in public administration and in the field of social science in general was proceeding against the background of rapid change in the society--technological, social, legal. Such rapid change has meant less predictability in the life of governmental agencies. Worker skills and

expectations have changed; technology has changed; neighborhoods and cities have changed; and client needs are constantly changing. The policies, programs, or procedures that were appropriate even five years ago may no longer suit an agency's clientele today. It is not possible today to develop slowly the "one best way" and then continue to use that way without question. Instead, activities must be constantly monitored and questioned in terms of their effectiveness.

In response to this change, and armed with a wide range of existing theories of public administration (which, as argued above, usually concentrated on limited aspects of concerns), since the late 1960s and early 1970s public administrators have tried to develop more holistic approaches that would address public problems in their complexity and in a systemic manner. The idea of Program Effectiveness was built not only on the productivity movement, but on other integrative approaches as well. In particular, the notion of effectiveness has expanded to include such concerns as unintended consequences; misuse and abuse of power; and ethical "stops" ranging from the "inner check" to whistle blowing. One such attempt at having a more holistic and ethical science of administration was the New Public Administration, which was born at the Minnowbrook I Conference held by Syracuse University in 1968 (and reevaluated twenty years later at Minnowbrook II), and other symposia which helped develop a concept of effectiveness linked to ethics and responsiveness.

Responding to social unrest and political change, during the 1960s, a "New Public Administration" emphasized participation, decentralization, and

representative bureaucracy. The "New Public Administration," as defined by young public administration scholars, was rooted in the experience of the nineteen-sixties, in particular a belief that public administrators could solve the country's technological and social problems (Marini 1971; LaPorte 1971). It was argued that public administrators should and could act as agents of change (Creson 1971). As conceptualized, the "New Public Administration seeks not only to carry out legislative mandates as efficiently and economically as possible, but to both influence and execute policies which more generally improve the quality of life for all" (Paynter 1971). Frederickson (1971; 1976) argued that, "It's abundantly clear that administrators are not neutral. They should be committed to both good management and social equity as values, things to be achieved."

The New Public Administration held that (Marini 1971):

--Ethics, honesty, and responsibility in government had returned to the forefront of public administration. Career service bureaucrats were no longer considered to be merely implementors, but to hold a public trust to provide the best possible public service.

--Social equity was increasingly complementing efficiency and economy as the rationale or justification for policy positions.

--Questions of public policy were becoming as significant as those of public management.

--The rational model and the usefulness of the strict concept of hierarchy were severely challenged.

--Government should be responsive to the needs of the public. Unneeded and ineffective organizations or programs should be discontinued.

--Effective public administration had to be defined in the context of an active and participative citizenry.

Participation was supported both as a political process and as an organizational process. Political participation was viewed as a mechanism for dispersing power and increasing citizen involvement in government (Waldo 1984). Organizational participation was to be a means for procuring change and dispersing power within the organization. "Organization, like participation, was intended to disperse power and increase citizen involvement in governmental and organizational processes" (Waldo 1984). Representative bureaucracy was meant to produce client-centered administration and representation of clientele interests by administrators.

The movement to revitalize government, to reverse pressures toward centralization of power, passivity, mediocrity, developed within the federal government. A decade after Minnowbrook I, President Carter initiated major reforms of the federal Civil Service system in 1978, including provision for individual incentives and greater accountability. Similar programs have been instituted at the state and local levels. Recently, Commissions on the Public Service, have continued the impetus to revitalize the public service. The National Commission on the State and Local Public Service chaired by former Governor William Winter, following the lead of the Report of the National Commission on the Public Service chaired by Paul A. Volcker in 1989, delivered *Hard Truths/Tough Choices: An Agenda for State and Local Reform*. The Volcker and Winter Commission reports define an ambitious agenda--dozens of basic changes for improving federal, state and local government.

The recommendations of the Winter Commission present a fundamental agenda for changing the way state and local governments relate to, as well as deliver services to, their citizens. According to Chairman Winter (1993, p. vii):

Making democracy work is what state and local public service must be about. It is here that the actual delivery of the most basic and essential services take place. ... An obvious part of the process of addressing the problems that face us as a society is examining the structure of government and determining how it can be better organized to do its job more efficiently. This must be a continuous activity, and one sufficiently dynamic and broadly based to resist those defenders of political turf who would argue for maintaining the status quo. But there is another measure of governmental performance that is even more important: the human dimensions of public service."

According to Richard Nathan,⁵⁾ commenting on the report, there are five central values that should be pursued by governmental reinventors in the nineties: 1) advancing political accountability and responsiveness to citizens; 2) strengthening the capability of government to make and implement tough choices; 3) providing fresh talent to government; 4) reducing the unhealthy power of special interest groups; and 5) bringing about a more honest dialogue between citizens and their governments.

Symposia and reports, however, created insufficient momentum with which to maintain support for government at the level of the New Deal

5) Richard Nathan's comments were made during National Center for Public Productivity Annual Conference in Scottsdale, Arizona, 1993.

and Great Society programs. From the perspective of citizens, at the bottom of the political structure, the public sector had to "deliver as promised." Thus, concurrent with the development of theories of responsiveness and implementation of civil service reforms, the productivity movement developed as a means of integrating and implementing all ideas (i.e. I-IV) initiated in the development of public administration to date, with the goal of achieving tangible improvements in service delivery, especially in outcomes as opposed to an emphasis on outputs.

The improvement of public sector productivity, so that public organizations might more readily achieve their goals, became an interdisciplinary concern. Today, the necessity for productivity improvement is a recurring theme in economic, technological and social arguments and is continually emphasized by chief executives (elected and appointed), the media, corporations economists and public administrators, and the public. Improved standards of living and sociopolitical stability are closely linked to improved productivity.

In this context "productivity improvement" is taken to mean capacity-building (i.e. infrastructure and knowledge which are the prerequisites for expected performance) and actual performance improvement. Overall, then, productivity improvement is a complicated undertaking. Productive management, public and private, has evolved from simple "common sense" in the late nineteenth century to complex systems in the late twentieth century.

3. Producing Public Services: Exemplary State and Local Programs

The National Center for Public Productivity's Exemplary State and Local Awards Program (EXSL) provides evidence of tangible accomplishments through those complex systems of productive public management: enhanced efficiency, capacity and quality-of-life outcomes throughout the public sector. Sponsored by the National Center for Public Productivity, since 1989 EXSL has received well over two thousand nominations, and one hundred and forty awardees have been selected through a peer review process by the Section on Management Science and Policy Analysis of the American Society for Public Administration. Awards are made to projects and programs that produce significant cost savings, measurable increases in quality and productivity, and improvements in the effectiveness of government services. Programs chosen are highly rated on:

- program outputs,
- impact on quality of life of population served,
- cost effectiveness, client support/satisfaction,
- innovative nature,
- obstacles or encumbrances which had to be overcome,
- nature of the problem which was addressed,
- degree of difficulty, and
- transferability or ability to serve as a model for other programs.

EXSL programs address society's most difficult-to-solve problems: providing no-cost medical care for the indigent, unclogging court

calendars, installing pollution and flood controls, expanding the supply of decent housing, increasing critical services to senior citizens, rehabilitating youthful and older offenders, etc.

Successful problem solving projects--award winning or routine-- are not the simple "common sense" solutions typically posed by politicians, voters, corporate critics and the media: "cut the fat" or "cutback management," "economize" or "privatize," "work harder" or "work smarter," "businesslike management" or "Japanese management." If only such straightforward adages were what public organizations need then government's efficiency would not be at issue.

But simple prescriptions are not very useful. They are based upon the popular misperceptions that public management is fat and inept. They are contrary to the complex problem-solving processes, discussed above, that governments (or private organizations of comparable size) require in order to address our society's most difficult-to-solve problems such as crime, pollution, or homelessness. Rather, the provision and improvement of services, in government or in the most profitable private sector firms, is complex and requires hard, detailed work.

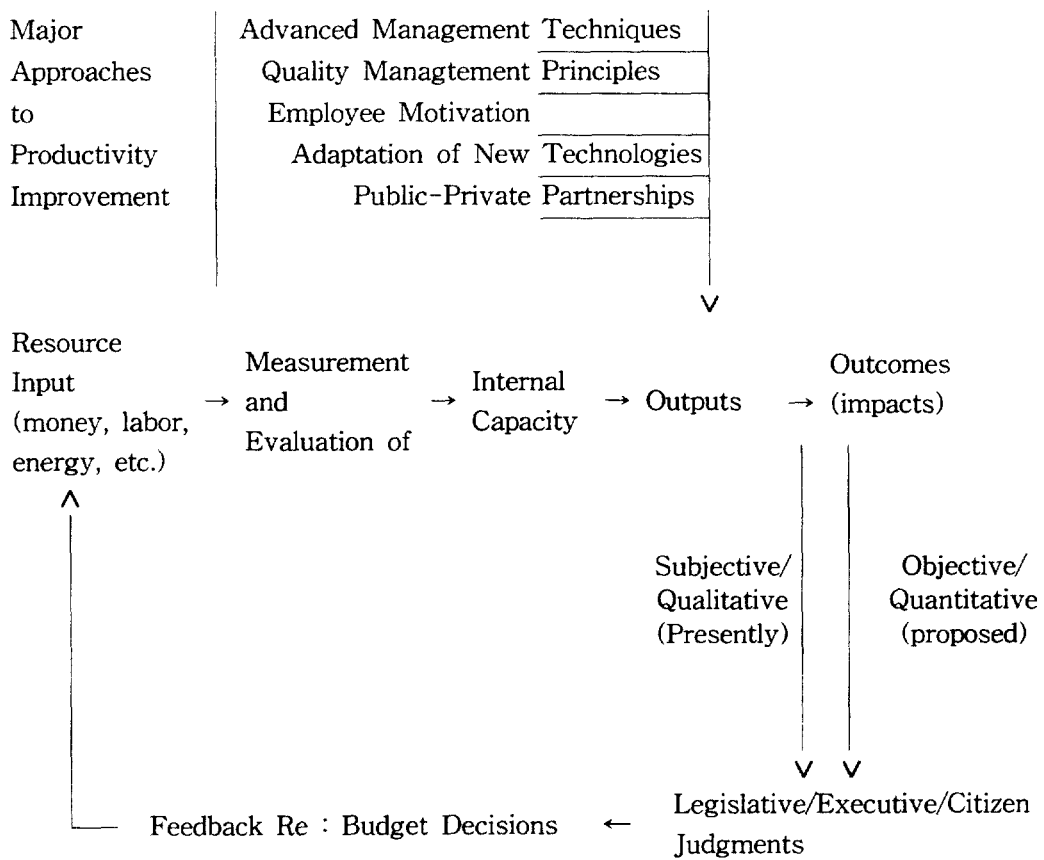
Today, to produce public services, the best public organizations have developed multiple, reinforcing capacities. Award-winning government agencies typically:

- apply quality management principles,
- use measurement as a decision making tool,
- invest in organizational learning and human resource development,
- adapt new technologies, and

--develop partnerships--with the private sector, with other governmental and non-profit agencies, and with citizens and volunteers.

We have found those approaches to be consistently apparent in award-winning cases at the state and local levels, as illustrated in Fig. 1: "Productivity Improvement: A Multifaceted Approach."

<Figure 1> An Overview of Productivity and Performance



III. Approaches

1. Approach One: Management for Quality

Service improvement efforts often incorporate some aspects of quality improvement. Many government agencies, however, approach service improvement specifically through Total Quality Management (TQM). TQM is a theory-based improvement strategy which allows public managers to increase the capacity for agency-wide cooperation, responsiveness to customer needs, and process improvement. Although TQM and similar efforts are popularly associated with the private sector, elected and appointed officials have come to recognize that traditional, management-oriented productivity efforts alone may not lead to sufficient improvements in service quality. Federal, state and local programs have begun to achieve improved outcomes through a variety of quality techniques. Hyde concludes that "quality management seems both logical and inevitable" at the state and local level. As evidence of this momentum, the Local Government Information Network Database (LOGIN) contains more than one thousand examples of programs with a quality component.

The Federal Quality Institute's definition of quality management (Mizaur) gives equal weight to the stakes of employees and funders:

Quality management is a strategic integrated management system for achieving customer satisfaction through the involvement of all employees

and continuous improvement of all the organization's processes and use of resources. All three stakehold agendas--that of customer, employee, funder--must be served equally.

Following from this comprehensive definition are seven key factors for successful implementation (Hyde; U.S. FQI Handbook):

- (1) top management support
- (2) customer focus
- (3) long-term strategic planning
- (4) employee training and recognition
- (5) employee empowerment and teamwork
- (6) measurement and analysis of products and processes
- (7) quality assurance

EXSL award winners have produced quality outcomes--especially improvements in their clients' lives--in critical services such as housing, criminal justice, water supply and life skills. For example, the "New Lease on Life" (EXSL award winner) program of the State of Colorado focuses on the ambitious outcome of enhancing clients' quality of life rather than the more limited, but more easily achieved, workload measures such as tenant occupancy. In keeping with the movement towards deinstitutionalizing the mentally disabled, the Colorado Department of Institutions established this program in 1977--long before quality was a buzzword in either the public or private sector--to specifically meet the public housing needs of persons with mental disabilities. This program has been successful on two dimensions: it offers alternatives to institutional living, and it rehabilitates existing housing stock. The "New Lease on

Life" program provides housing assistance for more than 1200 disabled persons in conjunction with subsidies from the federal Department of Housing and Urban Development. Before receiving this assistance, most tenants resided in substandard housing units, were homeless or were institutionalized. Under the program, the tenant pays approximately 30 percent of his or her income towards rent. Unlike other housing programs, this program offers support services to the client, including case management, mental health counseling and job training and skills development. Program coordinators, who are specifically trained to evaluate the participants, monitor the services provided to the client population. The direct impact of the program can be measured in terms of the quality of life enhancements realized by the clients served: the client is afforded clean housing and myriad support mechanisms, as well as the opportunity to live as independently as possible. The program has been at the forefront of recognizing the linkage between support services and housing, which ultimately helps the client to become more self sufficient. This "bootstrap" approach has now become part of the federal government's effort to supply housing to the mentally disabled.

2. Approach Two: Performance Measurement

We can measure public sector productivity. Performance measurement is a set of tools for making better decisions within public organizations. Managers who are responsible for day-to-day management now often have access to information that helps them implement public policies

effectively and efficiently.

But measurement of performance in the public sector is at is not as simple as the profit or sales data which drive the private sector. Measures of public sector services cannot be added up as "bottom line" productivity indexes. Yet this absence of simple-minded measures--profit, loss or index--is an advantage. To a greater extent than their private sector counterparts, productive governments have to, and do, stress multiple measures: internal capacities, outputs produced and outcomes achieved.

High performing public organizations monitor the production of "internal" services which contribute to the efficient and effective production of "external" services for clients. Such internal (or "invisible") services as maintenance, training and auditing are necessary prerequisites to the production of outputs.

Outputs are measurable as services provided (such as checks issued or hospital days of care) and must be measured along the two dimensions of quantity ("How many clients are served?" "How many units of service are delivered?") and quality ("Are the services delivered to certain standards?" "What is the error rate?")

But "output" is a narrow term which limits interpretations of productivity improvement. If managers are to make better decisions as to resource allocation and reallocation, then they need not only measures of the quantity and quality outputs, but of "outcomes"--what a service results in, such as the improvements in a client's health, quality of life or ability to maintain employment.

Measures not only assist in making internal decisions as to resources,

priorities, etc, but help clarify communications with an agency's publics. Measurement of performance has always been implicit in questions as to outcomes: "Is crime up?" "Are the streets cleaner?" "Is the air quality better?" "How well are our children doing in school?" In short, "Is a program producing, as promised?"

The answers to such questions are important. They provide feedback which influences decisions to allocate or reallocate public sector resources--de facto to set or change priorities-- decisions which are made by managers as well as by executives and legislators, and which are influenced by citizens, public interest/advocate groups, private businesses and their elected or media surrogates from all parts of the political spectrum. These are the actors who make choices based upon feedback. The bottom line is that budgets are linked to satisfaction as to efficient, impact-oriented services, yet much of that feedback is "soft," based upon critical successes or failures, rumors, personal experiences, etc. But the problem is that without objective measurement feedback as to program performance is often: subjective, impressionistic, based on personal or critical incidents, or just angry.

Following the "objective" arrow in Fig. 1, performance measurement offers an opportunity to develop and present "hard" data instead of impressions and personal experiences. Measurement provides an opportunity to answer the public's sometimes angry questions, and implicit suggestions, on an objective basis, to move the basis of decision making from personal experience to measurable accomplishment (or lack thereof). Data about levels and trends of outputs and outcomes, and associated

benefit/cost ratios, can help defend or expand a program, rather than let it suffer from relatively subjective, political decisions based on circumstantial (if any) evidence. Measurement helps objectively answer such questions as: Is an organization doing its job? Is it creating unintended side effects or producing unanticipated impacts? Is it responsive to the public? Is it fair to all, or does it favor certain groups, inadvertently or deliberately? Does it keep within its proper bounds of authorized activity? In short, is it productive?

Thus, data can help defend or expand a program, rather than letting it suffer from relatively subjective, political decisions. Particularly important in proving evidence of progress are timely data which reflect cost savings, additional services, independent evaluations of service levels, client satisfaction, and reductions in waiting or processing times.

For example, in terms of making more productive resource allocation decisions,

Value Engineering(VE) is a tool for evaluating the cost-effectiveness, reliability, quality, and safety of design projects. Qualified consultants, each an expert in their respective fields, assess the design and cost estimate submitted by the designer. The EXSL award-winning Clean Water Program for Greater San Diego has undergone nine VE studies resulting in savings of over \$70 million. The Clean Water Program (CWP) retains qualified consultants, each an expert in their field, to perform a Value Engineering (VE) study on projects that include the design of pipelines, water reclamation plants, secondary wastewater treatment plants, and sludge processing facilities. The main objective is to evaluate proposed

design, and related cost estimates, submitted to the City by designers, ensuring that performance, reliability, quality, and safety are provided at lowest possible life cycle cost. Between January 1991 and April 1992, the CWP conducted nine VE studies at a total cost of \$824,000. The exercise resulted in changes in design and modification of cost estimates which yielded savings of over \$70 million, for an overall savings to fee ratio of 85:1.

Each VE study proceeds in three stages:

Pre-workshop: It involves gathering all pertinent information, develop strategies, prepare cost, energy and life cycle models.

Workshop: The VE Team develops cost-saving ideas for design alternatives within the established constraints.

Post-workshop: The designer reviews and responds to the VE Team ideas with recommendations to accept or reject. The City staff reviews both proposed VE ideas and designer's responses. Then the City staff makes decisions on which the VE Team recommendations are to be implemented at the VE Team Implementation meeting, a joint meeting between the VE leader, the designer and the City staff.

The results of the VE study are presented in a report that includes a description of each recommendation (i.e., a summary of the preliminary design and proposed changes, a comparison of cost estimates, and a detailed discussion on the advantages and disadvantages of each recommendation). The report also contains the City's decision on either accepting or rejecting each recommendation.

3. Approach Three: Human Resource Management

Insights as to human behavior and motivation are particularly important in the public sector because government's most extensive and expensive investments are people; most public organizations devote from fifty to eight-five percent of their budgets to employee salaries and benefits. Because those "human resources" have complicated needs, responsive public organizations have adopted enlightened human resource practices, rejecting an authoritarian, bureaucratic style. Public organizations have often recognized that a productive organization is humane, structured around not only the task but its members and their human needs. They understand that the art of leadership inheres in getting people to work well for the organization by grasping and responding to their needs. Guy (1992), for example, points out that many interdependent factors contribute to creating a productive work environment: an organizational culture which relies on:

- team building that maximizes the strengths of employees while compensating for their weaknesses,
- open communication channels,
- flexibility in the midst of predictability, and
- balancing the needs of the organization with the needs of employees.

We have found that while EXSL awardees consistently rely on those factors, they particularly focus on recruiting appropriate human resources,

paid or volunteer, and then developing and maintaining those resources through high-quality training, and then on team building and balancing organizational and employee interests. To provide high quality, responsive service to their citizens, government agencies must hire highly-talented and skilled public servants.

For example, the State of Wisconsin received an EXSL award for recognizing and addressing the recruitment problem. Under the "Innovations In Recruiting And Hiring" program, Wisconsin state government provides responsive service to government agencies looking to hire highly-skilled public servants. The hiring innovations pioneered by the Department of Employment Relations provide more efficient, responsive, and "user-friendly" civil service hiring systems. These innovations -- the Entry Professional Program, the Critical Recruitment Program, Walk-in Civil Service Testing, and JOBS (Job Opportunity Bulletin System) -- have greatly enhanced its success in hiring highly-qualified employees who reflect the state's diversity. The Entry Professional Program (EPP) and Critical Recruitment Program (CRP) both use creative alternatives to the written multiple choice exams still used in most jurisdictions, alternatives which are more user-friendly, impose fewer bureaucratic hurdles on applicants, minimize disparate impact, and enable hiring decisions to be based on specific qualifications, not just "book knowledge". Walk-in Testing eliminates bureaucratic barriers in cases where multiple choice exams are still most appropriate. In these cases, applicants simply "walk-in" to testing centers (which are held on every third Saturday), apply immediately, and take exams. Although other jurisdictions may use

walk-in testing on a limited basis, Wisconsin is the only state to use Walk-in Testing as its exclusive written testing method. JOBS provides immediate, broad access to vacancy announcements throughout Wisconsin. Applicants no longer have to depend solely on printed mailed copies of announcements. Now, they simply dial into a state-wide system and access up-to-date information.

The goal of these innovations-- more flexible and accessible than traditional civil service hiring procedures-- is to systematically create hiring systems that are timely, easy for applicants to understand and compete within, and provide managers with greater hiring choices. Just as important, they adhere to the fairness and merit principles fundamental to civil service. This innovation anticipated the National Commission on the State and Local Public Service's recommendation to "end civil service paralysis" by reforming hiring systems. By creating more timely and responsive systems, Wisconsin was able to attract and hire the talented people needed to provide the best possible services to its citizens.

4. Approach Four: Application and Adaptation of Technologies

Advanced technologies are as important to the public as to the private sectors. Both sectors need powerful computer and information systems, automated and rapid communications, energy-saving and security-enhancing devices, and an almost limitless menu of "hardware and software." To meet these needs, government often relies on off-the-shelf products developed by the private sector. But when adequate

products are not available, the public sector has taken the initiative to pioneer new systems. Government employees have invented lasers, solid state technology, the basic design of most commercial and military aircraft, instrument landing systems, the first modern computer, titanium (and other stronger and lighter materials), the CAT scan, plastic corneas, advanced fishing nets, nuclear power, Teflon, wash and wear fabric, resuscitation devices and plastic wrap (Public Employees Roundtable).

Profiting from government's large up-front investments in such products, business has brought these products to the market. NASA, for example, has a continuing program to help the private sector exploit innovations resulting from the space program. Sometimes government shares in those profits through licensing or royalty arrangements. Typically, however, the public sector and the public servants receive neither royalties nor sufficient recognition.

Technologies which make possible improved performance are not limited to "high tech" or computer applications. They apply to roads and sewers as much as they do to satellites and smart bmoobs. In as mundane an area as refuse collection, for example, departments of sanitation in New York City, Scottsdale, Arizona and other localities have developed and applied productive technological changes, sometimes patenting those innovations:

--Trucks designed specifically for operation by two men, rather than the traditional three man team.

--Remote-control arms which allow the driver to lift and empty large containers of refuse.

--Robotic truck painters, which a management-labor team approached the private sector to design.

--Tire-changing machines designed specifically to the agency's standards and intended to alleviate the high degree of manual work in the operation.

--Purchase of "high dump" street cleaning brooms, which are faster, safer and can dump refuse into another vehicle.

--Redesign of the equipment used to transport refuse from barges to landfills.

The development and adaptation of technology for applied problem solving is often initiated by local or state governments. It is also a function of deliberate, goal-oriented efforts. Public Technology, Inc., for example, is devoted to the development and diffusion of productive technologies for state and local government.

EXSL awards winners utilize technology to improve services to the public through four overlapping emphases:

- Providing open access to data by citizens and businesses;
- Automating programs to improve efficiency;
- Providing improved, higher quality services to the public;
- Operating programs more cost effectively.

Although most technology-oriented EXSL awardees emphasize one of these four, some are comprehensive efforts which represent a fifth emphasis:

- Cross-cutting techniques.

For example, The State of Oregon's "Vendor Information Program (VIP)"

(EXSL award winner) was the first automated bid access system in the country, fundamentally changing the way the State of Oregon procures products, trade services and public works. VIP replaced fifty years of public purchasing protocol, encumbered with a labor intensive, cost prohibitive paper bid distribution system. VIP implemented in October of 1991, permits potential vendors with a personal computer and modem to access current and historical bid information, 24 hours a day, 7 days a week, viewing and downloading purchasing information in the convenience of their own offices. It has increased the number of vendors participating in the State's bidding process by 50%; saved in excess of \$60,000 a year in paper and postage costs; over \$500,000 a year in personnel costs and more than \$10 million dollars in products purchased.

The entire system cost less than \$400,000 to implement, mostly for the IBM computer and public relations effort to sell this new way of doing business to the vendor community. Savings were realized through competition. Not only are more vendors bidding for state business--instant access to RFP's has increased the number of bidding vendors by one third--but the historical information available to the vendors on similar contracts has improved the quality of bids. With the old way of doing business, three or four bids would be submitted for a contract and there would be a wide margin between the quotes. According to the Director of Purchasing, "Price quotes were all over the board, but with VIP, the bids are right on target and very competitive."

5. Approach Five: Partnerships: Multiple Tenets of Cooperation

Cooperation is also an essential productivity enhancement strategy, and one that is very often overlooked in the shadow of pressures for privatization. Yet joint public-private initiatives are options to which innovative public officials often turn, and cooperative arrangements for service provision are increasingly evident as the public sector seeks creative ways to stretch resources.

In contrast to privatization, these new relationships are joint problem-solving efforts, or partnerships, which may be initiated by either "side." EXSL has recognized working alliances between the work force and management; between levels of government and between neighboring local governments; and between government and citizens, government and corporations, government and not-for-profits. These innovations have proven to be effective arrangements aimed at improving government service and cutting costs. Because they represent the ability to think and act outside the rigid but familiar "bureaucratic box," they can be essential for pooling resources and improving productivity in an increasingly resource-scarce atmosphere.

EXSL cases highlight different forms of partnerships that enhance productivity improvements in public organizations. Award-winning programs occur in four types of partnerships with:

--Communities and volunteers, Government's more abundant, but often least utilized, resources are its citizens. Individuals can gain satisfaction, or "psychic income," from voluntary public service, but are not often recruited

to do so. Many EXSL awardees, however, have tapped those resources as a means of stretching or building problem-solving capacities.

--Public agencies. Government agencies often serve the clients of other agencies. Thus, cooperation between those agencies is important in minimizing costs, especially when the "products" of one agency become the "workload" of another.

--Private corporations. Joint public-private ventures may strengthen government's capacity to deliver services by : providing donations of personnel or equipment; supplementing such services as schools, parks and libraries; jointly developing strategies to ameliorate emerging problems, such as homelessness or crime and stimulating economic development. Private partners will generally expect their investment, typically donations of personnel and equipment, to provide at least some indirect return, such as a better educated labor force, a safer neighborhood in which to do business or a stimulus to economic development. But the private partner may also begin to act as a public-serving institution, directly investing for the general public good rather than for any specific, short-term bottom line gain.

--Not-for-Profits. Non-governmental, or not-for-profit, organizations are the most numerous partners in solving public problems. Their work ranges over virtually all of government's functions, providing a combination of contracted and contributed services.

For example, the State of Hawaii's Housing Finance and Development Corporation (HFDC) formed partnerships with private industry developers to create three socioeconomically integrated quality lifestyle communities in

Hawaii's three highest population growth areas. These Master Planned Communities (MPC's) integrate a mix of for-sale single-family and multi-family homes, rental housing, neighborhood parks, schools, recreation centers, community parks, bicycle lanes, walking paths, golf courses, churches, daycare centers, commercial and retail areas in a cost-effective and cost-efficient design that is constructed with minimum financial impact on taxpayers. In 1988, Hawaii led the nation in home ownership and rental housing costs. With only 44% of Hawaii's households in home ownership, Hawaii lagged behind the national average by approximately 20%. In the summer of 1990, the average four member Oahu family made \$41,200 a year, giving them the purchasing power to buy a \$128,000 home. During that same period, the median resale price for a home in Hawaii was \$350,000.

The reduction of federal funding for lower income housing, the lack of existing infrastructure (water, sewer, drainage, utilities, roads) and suitable land for development, the high amount of required capital for infrastructure development and the associated financial risks, and the high cost of construction financing caused a widening gap between housing supply and housing demand during the late seventies and eighties. True, the private sector and city and state governments were building homes, but these were relatively small in-fill type projects that relied on existing infrastructure. HFDC estimated that by the year 2000, the demand for housing would reach over 85,000 units with 64,000 of these units having to be affordable to households with average or below average incomes. Besides the need for significant numbers of affordable housing was also

the desire to avoid creating massive affordable housing "projects" that could lead to further social ills. To address this, the decision was made to create quality lifestyle communities.

There was the recognition that the State was facing severe budget constraints and that taxpayers could not bear the full cost of funding the required affordable housing. Consequently, another objective was to build a significant number of homes efficiently through economies of scale and to fund this in a way that would minimize the economic impact to taxpayers. The Master Planned Communities are producing a significant number of homes, 4,000 to 5,000 per MPC on each island. Because of the scale, housing can be put in quicker and cheaper per home unit. Additionally, current and future community needs (schools, roads, drainage, parks, commercial and retail areas) are anticipated, planned and prepared. The projects deliver housing for a range of needs: for singles, single parent families and families there are for-sale townhouses and single-family homes, self-help and owner-builder housing, and moderate to low-income rentals. Also for the elderly and/or physically challenged each community features rental apartments. Finally, development of homes by private industry is facilitated through HFDC overall planning, zoning, infrastructure development and provision of financial incentives.

The program creates a significant number of homes (13,400) in quality lifestyle communities rather than producing limited numbers of units in traditional "infill" housing projects. The effort addresses a cross-section of the population in need (60% of Hawaii's households) and creates socioeconomic balanced communities. The program minimizes the impact to

taxpayers through the use of revolving funds, bond financing, lease and sale of commercial and retail areas and the Shared Appreciation Program. It features anti-speculative and equity-sharing provisions in the form of "buyback" and Shared Appreciation programs. Finally, the concept encourages private sector development of affordable housing by directly removing local barriers.

IV. An Expanded Model of Competition

Based upon the the businesslike principles evident in the public management literature and practice, and the capacity for innovation and sound management demonstrated in the EXSL and other awards programs, we propose the following tripartite model of competition for the provision of government services:

1. Open Competition

Although many services are appropriate for possible contracting out to the private or not-for-profit sectors, in the competitive spirit of increasing the number of bidders, virtually all public agencies should be encouraged to bid on a project. If competition implies greater choices, then elected officials and the public are likely to have more alternatives by cultivating public sector options. In cases in which the private sector may be reluctant to bid or may collude on bidding, public sector bidders may represent a significant competitive force.

To maximize competition, bids should be thrown open to agencies regardless of their locus within the government or in another jurisdiction, and regardless of their mission. A school district might provide maintenance services to a police department. A state highway agency might bid on project management services for a local parks department. Those alternative providers from the public sector may be agencies of

other governments with the ability to capitalize on existing investments through economies of scale, or with excess capacities that cannot be reduced due to technical, financial or legal reasons. At the same time, if the private or not-for-profit sectors can do those jobs more efficiently, fine. The competition of government-owned and private airlines for government contracts in some European countries is a case in point, in which either public or private organizations may triumph. Another case is successful, competitive bidding by the vehicle maintenance division of the New York City Department of Sanitation, in which D.O.S. won contracts to service E.M.S. and police vehicles. (Holzer (b)).

2. Open Competition Only within Government

In contrast to routine targets of privatization, such as sanitation, training, printing, or maintenance, some public sector functions are relatively intangible or complex. Their delivery may be appropriate only to public organizations. For purposes of public accountability and policy making they should be under the control of democratic institutions only through publicly-owned contractors, without bids from private or not-for-profit contractors. Privatization may also conflict with such values as democratic control and retention of management and emergency capacities. Services which could be considered off limits for privatization might include public safety, public schools, public higher education, social services, public health, air traffic control, and environmental regulation. Policy-sensitive functions such as drafting of legislation and writing of speeches have also

been proposed as inappropriate candidates for contracting out.

To protect democratic and service-delivery capacities, we are proposing intra-governmental competition, in which appropriate services are bid or contracted out, but only to public sector bidders. As indicated above, those bidders might include units of the contracting organization, other units or subunits of the same jurisdiction or of similar jurisdictions, and units of other levels of government, including federal, state, local agencies and public authorities or special districts. In many cases legislation would be necessary to allow agencies the flexibility to bid on projects which go well beyond their stated missions, or even projects in their mission areas. Presently, for example, the federal government may be willing to consider a bid from the Correction Corporation of America to run the Federal Prison in Fort Leavenworth in Kansas, but not a bid from the State of Kansas Department of Corrections.

Such examples of internal competition of government-funded programs now exist. Shared services, as between local governments or school districts, represents an informal application of this model. The school voucher concept is a movement toward the marketplace, but one which is generally limited to the public schools.

3. Expanded Capacity for Competition

In order to strengthen the competitive forces suggested above, we would also posit that government's ability to be competitive will increase with the introduction of new government-based competitors. Specifically, the set

of public sector bidders should be expanded to include generic agencies or units--the mission of which is broadly defined as productivity, analogous to the profit mission in the private sector-- rather than any specific staff or line service. "Generic" agencies would represent budding public "conglomerates" or "internal consulting firms" for provision of any number of functions, ranging from internal capacities to external services: maintenance, information services, duplicating, and training on the one end; housing, education, transportation, or perhaps even defense, on the other.

Generic public agencies might incorporate aspects of other models which allow for the flexibility necessary to competition. For instance, construction, transportation, port or highway authorities and corporations have been created as quasi-independent bodies. With their own revenue sources they are likely to enjoy greater flexibility in mobilizing the resources for the accomplishment of specific tasks. McClenhen suggests that with fewer constraints than regular government agencies they can reach private sector-like efficiencies. In some cases they have been asked or induced to broaden their missions in order to take on, or contract for, other services. This suggests that a public authority or corporation is an inherently flexible mechanism which can serve the needs of traditionally-defined agencies.

There are several advantages to public sector responses to bid notifications by public agencies. More of a competitive environment within government should:

- (1) Induce greater innovation among managers, making the jobs of managers and the workforce more interesting.

(2) Build internal capacities and make better use of scarce human and physical capital which are now (to use a euphemism) "underutilized."

(3) Make better use of available information resources. As we suggested above, too many government managers are lazy readers, not willing to mine the "gems" from thick reports, conferences, extensive electronic databases, "boring" journals, or even newspapers. If information were a valued resource critical to competitive survival, they would be much more likely to seek it out.

(4) Improve government's image as competitive (or "lean"). The prevailing image, which is reinforced daily by politicians, the press and other media, is one of waste and incompetence. (Holzer (c))

4. Reservations?

The proposals above raise a range of questions:

(1) What if an agency is too successful, becoming a monopoly or part of an oligopoly? Possible success should not be a deterrent to innovation and experimentation. If an agency or unit which is designed to increase competition becomes dominant instead, then policy makers should limit its size, splitting it into one or more smaller agencies. Following Darwin's survival model of reproduction of the most fit, its "offspring" could then displace unsuccessful government bidding units, or groups in those units.

(2) What will agencies do with "profits" generated by contracts? All or a significant portion of profits can be retained or reinvested in the public contractor. Whereas in the private sector those profits often accrue to

individual managers as bonuses, in the public sector funds can more easily be reinvested in programs for two unrelated reasons. First, improved quality of worklife and recognition is probably paramount to many managers. Second, legislators and the public cannot tolerate the notion of large bonuses to government employees, (although they may also object to the expenditure of public funds for "quality of work" improvements such as a gym).

(4) Can government make decisions as rapidly or flexibly as their private sector counterparts? Very possibly, especially if generic agencies or agency units were expected to act in a relatively non-bureaucratic manner. This might require extensive rewriting of regulations or legislation.

(5) Are agencies now equipped to compete with the private sector? Not necessarily. Although some have been adequately funded, a significant percentage have experienced a hemorrhage of talent and a deterioration of capital equipment. Historically, some have never been funded adequately. Competition by government might require prerequisite investment by government, although in other cases the investment already exists in terms of excess capacity. One advantage of privatization is that firms might have access to investment capital which is not as available to their public agency counterparts.

(6) Will internal competition have dysfunctional consequences? Of course. But they can be minimized if we anticipate and monitor them, such as:

- a. Information pirating: will managers attempt to ferret out confidential

information to gain unfair advantages?

b. Corruption/bribes: will government managers attempt to influence each other inappropriately?

c. Undue political influence: will politicians attempt to direct contracts to agencies in which they have more influence?

(7) Will agencies be able to tolerate "slack" in order to invest in writing bids. That is, will they be able to take a long view that successes will eventually emerge? Possibly yes, especially considering the popular argument that there is now substantial slack, or underutilized capacity, in government. That is, will the existence of internal bidding units be criticized as redundant resources, and ones that are unfairly competing with the private sector? A related problem is the extent that expectations for such bidding units will be unreasonably high, with undue pressures for quick successes.

(8) Are public agencies unwilling to transfer functions to other agencies, but more willing to contract out? Perhaps. Contracting out does not imply giving up territory, while letting another agency provide a service may be perceived as surrendering the turf. The paradox of internal competition may be a bias against other public entities, even to the point of paying a private provider more.

V. Conclusion

Enhanced competitive capacities may help convince skeptics that government is or can be productive. Under a model of "government as competitor" the change in public opinion is not likely to be dramatic, but the direction is likely to be positive as we reassert government's legitimate missions and underscore its competency. Unless we begin to become more competitive, the public, led by profit-seeking firms and superficial media and political "analyses," is likely to accept the downsizing and privatization of government in the short run, and regret those actions in the long run when the politicians have retired, the profits have been collected, and society's problems remain unsolved.

References

- Abramovitz, Mimi, "The Privatization of the Welfare state: A Review," *Social Work* 31, July-August 1986, pp. 257-264.
- Alexander, Ernest R., "From Idea to Action: Notes for a Contingency Theory of the Public Implementation Process," *Administration and Society*, Vol. 16, No. 4, February 1985, pp. 481-504.
- Allison, G., *Essence of Decision: Explaining the Cuban Missile Crisis*, Boston: Little Brown, 1971.
- Appleby, P., *Policy and Administration*, Alabama: University of Alabama Press, 1949.
- Argyris, Chris., *Personality and Organization*, New York: Harper, 1957.
- Arrow, Kenneth., *Social Choice and Individual Values*, New York: Wiley, 1951.
- Bailey, R.W., "Uses and Misuses of Privatization," In S.H. Hanke (Ed.), *Prospects For Privatization*, New York: Academy of Political Science, 1987.
- Balfour, Danny L. and Barton Wechsler, "Commitment, Performance, and Productivity in Public Organizations," *Public Productivity and Management Review*, 15(1), 1991, pp. 355-368.
- Ban, Carolyn, Sue R. Faerman and Norma M. Riccucci, "Productivity and the Personnel Process," In Marc Holzer (ed.), *Public Productivity Handbook*, New York: Marcel Dekker, 1992, pp. 401-423.
- Banki, Ivan S., *Dictionary of Administration and Management*, Los

- Angeles, CA: Systems Research Institute, 1981.
- Barnard, C. I., *Functions of the Executive*, Massachusetts: Harvard University Press, Cambridge, 1938.
- Barnekov, Timothy K. and J. A. Raffel, "Public Management of Privatization," in Holzer, Marc(ed.), *Public Productivity Handbook*, New York: Marcel Dekker, 1992, pp. 99-115.
- Bowman, James S.(ed.), *The Public Affairs and Administration Series*, New York: Garland Press, 1980-1995.
- Bowman, James S., "Quality Circles for the 1990s," in Marc Holzer(ed.), *Public Productivity Handbook*, New York: Marcel Dekker, 1992, pp. 499-517.
- Bowsher, Charles A., "Performance Measurement: An Important Tool in Managing for Results," *Testimony before the Committee on Governmental Affairs*, United States Senate, May 5, 1992.
- Brudney, Jeffrey L., "Coproduction and Privatization: Exploring the Relationship and Its Implications," *Journal of Voluntary Action Research*, July-Sept. 1987, pp. 11-21.
- Buchanan, James and Gordon A. Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy*, Ann Arbor: University of Michigan Press, 1962.
- Burke, Catherine G., "Themes from the History of American Public Administration: Rethinking our Past," in Rabin, Jack, W. Bartley Hildreth and Gerald J. Miller(eds.), *Handbook of Public Administration*, New York, NY: Marcel Dekker, 1989, pp. 43-104.
- Burrell, Gibson and Gareth Morgan, *Sociological Paradigms in*

- Organizational Analysis*, London: Heinemann, 1979.
- Cater, Douglas, *Power in Washington*, Random House, 1964.
- Chawla, Sarita and John Renesch(eds.), *Learning Organizations: Developing Cultures for Tomorrow's Workplace*, Portland, Oregon: Productivity Press, 1995.
- Chelimsky, Eleanor(ed.), *Program Evaluation: Patterns and Directions*, 2nd ed., Washington, D. C.: American Society for Public Administration, 1989.
- Cherry, Virginia R. and Marc Holzer, *Research Guide to Public Administration*, New York: Garland Press, 1991.
- Christopher, William F., *Productivity Measurement Handbook*, 2nd ed., Cambridge, MA: Productivity Press, 1986.
- Cohen, M. D., March James D. and Johan P. Olsen, "A Garbage-Can Model of Organizational Choice," *Administrative Science Quarterly*, Vol. 17, 1972, pp. 1-25.
- Cohen, Steven and Ronald Brand, *Total Quality Management in Government: A Practical Guide for the Real World*. San Francisco, CA: Jossey-Bass, 1993.
- Cook, Brian J., "At the Crossroads of Real and Ideal: Woodrow Wilson's Theory of Administration," *Administrative Theory and Praxis*, Vol. 17, No. 2, 1995, pp. 15-29.
- Cook, Brian J., "The Representative Function of Bureaucracy: Public Administration in Constitutive Perspective," *Administration and Society*, Vol. 23, No. 4, February 1993, pp. 403-429.
- Crenson, Matthew A., "Comment: Contract, Law & Character Building," in

- Marini, Frank(ed.), *Toward a New Public Administration*, The Minnowbrook Perspective Chandler Publishing Co., 1971, pp. 83-89.
- Crosby, Philip B., *Quality is Free: The Art of Making Quality Certain*, New York: McGraw-Hill, 1979.
- Dahl, Robert A. and Charles Lindblom, *Politics, Economics and Welfare*, New York: Harper and Brothers, 1953.
- Daly, D. M., "Pay for Performance, Performance Appraisal and Total Quality Management," *Public Productivity and Management Review*, Vol. 16, No. 2, 1992, pp. 39-52.
- Denhardt, R. B., *In the Shadow of Organization*, Lawrence: University of Kansas Press, 1981.
- Denhardt, Robert B., "Five Great Issues in Organization Theory," in Rabin, Jack, W. Bartley Hildreth and Gerald J. Miller(eds.), *Handbook of Public Administration*, New York, NY: Marcel Dekker, 1989, pp. 105-128.
- Denhardt, Robert B., "Public Administration Theory: The State of the Discipline," in Lynn, Naomi and Aaron Wildavsky(eds.), *Public Administration: The State of the Discipline*, Chatham, NJ: Chatham House, 1990, pp. 43-72.
- Denhardt, Robert B., *Theories of Public Organization*, 2nd ed., Belmont, CA: Wadsworth, 1993.
- DiTomaso, Nancy, "Class and Politics in the Organization of Public Administration: The US Department of Labor," in Fischer, Frank and Carmen Sirianni(eds.), *Critical Studies in Organization and Bureaucracy*, 2nd ed., Philadelphia: Temple University Press, 1994.

- Donahue, John D., *The Privatization Decision: Public Ends, Private Means*, Basic Books, 1989.
- Dror, Yehezkel, "Muddling Through--'Science' or Inertia?," *Public Administration Review*, Vol. 24, 1964, pp. 153-157.
- Dunsire, Andrew, *Administration: The Word and Science*, New York, NY: Wiley, 1973.
- Epstein, Paul D., *Using Performance Measurement in Local Government: A Guide to Improving Decisions, Performance, and Accountability*, New York: National Civic League Press, 1988.
- Etzioni, Amitai, "Mixed Scanning: A 'Third' Approach To Decision-Making," *Public Administration Review*, Vol. 27, December 1967, pp. 385-392.
- Exemplary State and Local Awards Program(EXSL), *National Center for Public Productivity*, Rutgers the Stae University of New Jersey, Campus at Newark, Newark, NJ, 1989-1995.
- Farmer, David J., "Kill the King: Foucault and Public Administration Theory," *Administrative Theory and Praxis*, Vol. 17, No. 2, 1995a, pp. 78-83.
- Farmer, David J., *The Language of Public Administration: Bureaucracy, Modernity and Postmodernity*, University of Alabama Press, 1995b.
- Fayol, Henri., *General and Industrial Management*, London: Pitman Publishing Co., 1949.
- Ferris, J. and Graddy, E., "Contracting Out: For What? With Whom?," *Public Administration Review*, 1986, 46(4), pp. 332-344.
- Finer, Herman, "Administrative responsibility in Democratic Government."

- Public Administration Review*, Vol. 1, Summer 1941, pp. 335-350.
- Fountain, J.(ed.), *Service Effort and Accomplishment Project*, Norwalk, Conn.: Government Accounting Standards Board, 1992.
- Fox, Charles J., and Hugh T. Miller, *Postmodern Public Administration*. Thousand Oaks, CA: Sage, 1995.
- Frederickson, George, H., "Minnowbrook II: A Changing Epochs of Public Administration," *Public Administration Review*, March/April 1989, pp. 95-100.
- Frederickson, H. George, "Toward a New Public Administration," in Marini, Frank(ed.), *Toward a New Public Administration: The Minnowbrook Perspective*, Chadler Publishing Company, 1971.
- Frederickson, H. G., "The Lineage of New Public Administration," *Administration and Society*, 1976, pp. 144-174.
- French, Wendell O. and Cecil H. Bell, *Organization Development: Behavioral Science Intervention for Organization Improvement*, Prentice -Hall, Englewood Cliffs, NJ, 1973.
- Friedrich, Carl J., "Public Policy and the Nature of Administrative Responsibility," in Rourke, Francis E.(ed.), *Bureaucratic Power in National Politics*, Boston, Little Brown, 1965, pp. 165-175.
- Gallup Polls as cited in Roper Center for Public Opinion Research, Data base search, Storrs, Ct., 1986, 1991.
- Gioia, Dennis and Evelyn Pitre, "Multi-Paradigm Perspectives in Theory Building," *Academy of Management Journal*, Vol. 15, No. 4, 1990, pp. 584-602.
- Goldstein, Mark L., "The Shadow Government," *Government Executive*,

- May 1990, pp. 30-57.
- Golembiewski, Robert T., *Humanizing Public Organizations*, Mt. Airy, MD: Lomond Publications, 1985.
- Golembiewski, Robert T., "The Papers and Productivity: Posterity's Guidance for Today's Challenges," *Public Productivity Review*, Vol. 13, No. 3, 1989, pp. 283-301.
- Goodnow, Frank J., *Politics and Administration*, New York, 1900.
- Goodsell, Charles, "Public Administration and the Public Interest," in Wamsley, Gary et al., *Refounding Public Administration*, Newbury Park, CA: Sage Publications, 1990, pp. 96-114.
- Goodsell, Charles, *The Case For Bureaucracy*, Chatham, N.J.: Chatham House, 1985.
- Government Accounting Standards Board, *An Overview: Service Efforts and Accomplishments Reporting: Its Time Has Come*, Norwalk, CT: Governmental Accounting Standards Board, 1990.
- Government Accounting Standards Board, "Concepts Statement No. 2 of the Governmental Accounting Standards Board on concepts related to Service Efforts and Accomplishments Reporting," *Governmental Accounting Standards Series, No. 109-A*, Norwalk, CT, April 1994.
- Governmental Accounting Standards Board, "Guidelines for Developing Government Performance Measurement and Reporting Programs: Resolution Encouraging the Use of Performance Measurement and Reporting by Government Organizations," Washington, D.C.: American Society for Public Administration, Resolution adopted April 14, 1992.
- Gulick, L. H. and Urwick, L.(eds.), *Papers on the Science of*

- Administration*, New York: Institute for Public Administration, 1937,
See especially: "Notes on the Theory of Organization," pp. 1-46.
- Guy, Mary E., "Productive Work Environment," In Marc Holzer(ed.), *Public Productivity Handbook*, New York: Marcel Dekker, 1992, pp. 321-335.
- Halachmi, Arie and Marc Holzer(eds.), *Competent Government: Theory and Practice*. Burke, VA: Chatelaine Press, 1994.
- Hammer, Richard M., Hans H. Hinterhuber and Justus Lorentz,
"Privatization--LA Cure for all Ills?," *Long Range Planning*, Vol. 22,
No. 6, Great Britain, 1989, pp. 19-28.
- Hampden-Turner, Charles and Alfonso Trompenaars, *The Seven Cultures of Capitalism*, New York, NY: Currency Doubleday, 1993.
- Hanke, S. H.(ed.), *Prospects For Privatization*, New York: Academy of Political Science, 1987.
- Harmon, Michael M., *Action Theory for Public Administration*, New York: Longman, 1981.
- Harmon, Michael M., "The Dilemma of American & Political Democracy," in Marini, Frank(ed.), *Toward A New Public Administration: The Minnowbrook Perspective*, Chandler Publishing Co., 1971, pp. 185-190.
- Hatry, H. P., *A Review Of Private Approaches For Delivery Of Public Services*, Washington, D.C. : Urban Institute Press, 1983.
- Hatry, Harry P., "Cost-Benefit and Cost-Effectiveness Analysis," in Heyel, Carl(ed.), *The Encyclopedia of Management*, 3d ed., New York: Van Nostrand Reinhold Company, 1982, pp. 167-171.
- Hatry, Harry P., et al., *Efficiency Measurement for Local Government*

- Services*, Washington, DC: The Urban Institute, 1979.
- Hatry, Harry P., et. al., *How Effective Are Your Community Services?*, Washington, DC: The Urban Institute, 1977.
- Hatry, Harry P., et. al., *Measuring the Effectiveness of Basic Municipal Services*, Washington, DC: The Urban Institute, 1974.
- Heady, Ferrel, *Public Administration: A Comparative Perspective, 5th ed.*, New York: Marcel Dekker, 1996.
- Hecl, Hugh, "Issue Networks and the Executive Establishment," in King, Anthony(ed.), *The New American Political System*, Washington, DC: American Enterprise Institute, 1978.
- Herzberg, Frederick, Mausner, Bernard and Barbara Bloch Snyderman, *The Motivation to Work*, New York: John Wiley and Sons, 1959.
- Herzberg, Roberta and Vincent Ostrom, "Votes and Vetoes," in Kaufman, Franz-Xaver(ed.), *The Public Sector: Challenge for Coordination and Learning*, Berlin: Walter de Gruyter, 1991, pp. 441-451.
- Hetzner, Candace, "Lessons for America One Hundred Years After Pendleton," *Public Productivity Review*, no. 43, San Francisco: Jossey-Bass, 1987.
- Hetzner, Candace, Untitled privatization manuscript in process, New Jersey: Rutgers University, Campus at Newark, 1992.
- Hill, Larry B., "Who Governs the American Administrative State? A Bureaucratic-Centered Image of Government," *Journal of Public Administration Research and Theory*, Vol. 1, No. 3, July 1991, pp. 261-294.
- Hofstadter, Richard, *The American Political Tradition*, New York: Vintage

- Books, 1954.
- Hofstede, Geert, "Cultural Constraints in Management Theories," *Academy of Management Executive*, 1993, Vol. 7, No. 1, pp. 81-94.
- Hollway, W., *Work Psychology and Organizational Behavior*, Newbury Park, CA: Sage Publications, 1991.
- Holzer, Marc(a), Exemplary State and Local (EXSL) Awards Program. Newark, New Jersey: National Center for Public Productivity, Rutgers University, Jan. 1991, Concurrently published as: *Login Update*, St. Paul, MN: Local Government Information Network.
- Holzer, Marc(b), "Productivity In, Garbage Out: Sanitation Gain in New York," *Public Productivity Review*, Vol. XI, No. 3, Spring 1988, pp. 37-50.
- Holzer, Marc(c), "Public Service: Problems, Professionalism, and Policy Recommendations," with Jack Rabin, *Public Productivity Review*, Number 43, Fall 1987, pp. 3-14.
- Holzer, Marc(ed.), *Public Productivity Handbook*, New York: Marcel Dekker, 1992.
- Holzer, Marc and Arie Halachmi, *Public Sector Productivity*, New York: Garland Press, 1988.
- Holzer, Marc and Kathe Callahan, "Fiscal Pressures and Productive Solutions," *Public Productivity and Management Review*, Vol. 16, No. 4, Summer 1993.
- Holzer, Marc and Vatche Gabrielian(eds.), *Cases in Productive Public Management*, Burke, VA: Chatelaine Press, 1996.
- Holzer, Marc, and Arie Halachmi(eds.), *Strategic Issues in Public Sector*

- Productivity: The Best of the Public Productivity Review, 1975-1986.*
San Francisco, CA: Jossey-Bass, Inc., 1986.
- Holzer, Marc, "Building Capacity for Productivity Improvement," In Halachmi, Arie and Marc Holzer(eds.), *Competent Government: Theory and Practice*, Burke, VA: Chatelaine Press, 1994, pp. 457-467.
- Hoover, David F., "Internal Consulting," in Marc Holzer(ed.), *Public Productivity Handbook*, New York: Marcel Dekker, 1992, pp. 565-576.
- Huczynski, Andrezej, *Encyclopedia of Organizational Change Methods*, Aldershot, England and Brookfield, Vermont: Gower Publishing Company, 1987.
- Hummel, R., *The Bureaucratic Experience*, 4th. ed., St. Martin's Press, New York, 1994.
- Hunt, V. Daniel, *Quality management for Government: A Guide to Federal, State and Local Implementation*. Milwaukee, WI: ASQC Quality Press, 1993.
- Hyde, Albert C., "Implications of Total Quality Management for the Public Sector," *Public Productivity and Management Review*, 116(1), 1992, pp. 23-24.
- Hyde, Albert C., "The Proverbs of Total Quality Management," *Public Productivity and Management Review*, 16(1), 1992, pp. 25-38.
- Imai, Masaki, *Kaizen: The Key to Japan's Competitive Success*, New York: Random House, 1986.
- International City Managers Association, *Issue Brief #93-18973*, ICMA: Washington, DC 1994.
- Juran, Joseph M., *Juran on Planning for Quality*, New York: Free Press,

1988.

- Kass, Henry D. and Bayard L. Catron(eds.), *Images and Identities in Public Administration*, Newbury Park, CA: Sage, 1990.
- Katz, Daniel and Robert L. Kahn, *The Social Psychology of Organizations*. 2nd ed., New York: Wiley, 1978.
- Katz, Jeffrey I, "Privatizing Without Tears," *Governing*, June 1991. pp. 38-42.
- Kaufman, Herbert, "Fear of Bureaucracy: A Raging Pandemic," *Public Administration Review*, 41(1), January/February 1981, pp. 1-9.
- Kaufman, Herbert, "The Growth of Federal Personnel System," in Rourke, Frances E.(ed.), *Bureaucratic Power in National Politics*, Boston, MA: Little, Brown, 1965, pp. 129-140.
- Kettl, Donald F., "Privatization: Implications for the Public Work Force," Chapter in *Public Personnel Management*, Carolyn Ban and Norma M. Riccucci(eds.), Longman, 1991.
- Key, V. O., Jr., "The Lack of Budgetary Theory," *American Political Science Review*, 34, 1940, pp. 1137-1144.
- Kingdon, John W., *Agendas, Alternatives and Public Policies*, New York: Harper Collins, 1984.
- Koontz, Harold, "The Management Theory Jungle," *Journal of the Academy of the Management*, Vol. 4, No. 3, 1961.
- Likert, Rensis, *New Patterns of Management*, New York: McGraw- Hill, 1961.
- Lindblom, C.E., "The Science of Muddling Through," *Public Administration Review*, 19, 1959, pp. 79-88.

- LOGIN(Local Government Information Network), St. Paul, Minnesota: The Norris Institute.
- Long, Norton E., "Bureaucracy and Constitutionalism," *American Political Science Review*, Vol. 46, 1952, pp. 808-818.
- Long, Norton E., "Power and Administration," *Public Administration Review*, Vol. 9, Autumn 1949, pp. 257-264.
- Lowi, Theodore J. and Benjamin Ginsberg, *American Government: Freedom and Power*, 2nd ed., New York: Norton, 1992.
- Lowi, Theodore J., *The End of Liberalism: The Second Republic of United States*, 2nd ed., New York: Norton, 1979.
- Lowi, Theodore J., "Toward a Legislature of the First Kind," in Robinson, William H. and Wellborn, Clay H.(eds.), *Knowledge, Power, and the Congress*, *Congressional Quarterly*, 1991, pp. 9-37.
- Lowi, Theodore J., "Two Roads to Serfdom: Liberalism, Conservatism and Administrative Power," in Elkin, S. L. and Soltan, K. E.(eds.), *A New Constitutionalism: Designing Political Institutions For a Good Society*, University of Chicago Press, 1993b, pp. 149-174.
- Mark, Jerome A., "Productivity Measurement of Government Services: Federal, State and Local," Washington, D.C.: Bureau of Labor Statistics, White House Conference Background Paper, June 1983.
- McLenahan, John S., "Should Government Run Like a Business?," *Government Executive*, January 1990, pp. 12-16.
- McManus, Susan A., "Why Businesses are Reluctant to Sell to Governments," *Public Administration Review*, Vol. 51, No. 4, July/August 1991, pp. 328-344.

- March, James G. and Herbert A. Simon, *Organizations*, New York: Wiley, 1958.
- March, James G. and Johan P. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics*, New York: Free Press, 1989.
- Marini, F.(ed.), *Toward a New Public Administration: The Minnowbrook Perspective*, Chandler Publishing, Scranton, Pennsylvania, 1971.
- Maslow, Abraham H., "A Theory of Human Motivation," *Psychological Review*, Vol. 50, 1943, pp. 370-396.
- Mayo, Elton., *The Social Problems of Industrial Civilization*. Cambridge, MA: Harvard University Press, 1945.
- McClelland, David, *The Achieving Society*. Princeton, NJ: D. Van Nostrand, 1961.
- McLaughlin, Milbery, "Implementation as Mutual Adaptation," in Williams, Walter and Richard Ellmore(eds.), *Social Program Implementation*. New York: Academic Press, 1976, pp. 167-180.
- Metcalf, Henry C. and Urwick, L.(eds.), *Dynamic Administration: Collected Papers of Mary Parker Follett*, New York: Harper and Row, 1940.
- Milakovich, Michael E., "Total Quality Management for Public Service Productivity Improvement," in Marc Holzer(ed.), *Public Productivity Handbook*, New York: Marcel Dekker, 1992.
- Miller, Gerald J., "Efficiency as a Competing Principle in Public Financial Management," *Public Productivity and Management Review*, Vol. XIII, No. 4, Summer 1990, pp. 331-351.
- Moe, Ronald C., "The 'Reinventing Government' Exercise: Misinterpreting the Problems, Misjudging the Consequences," *Public Administration*

- Review*, Vol. 54, No. 2, March/April 1994, pp. 111-123.
- Modic, Stanley J., "Privatization Push," *Industry Week*, July 3, 1989, pp. 54-57.
- Moe, Ronald C., and Robert S. Gilmout, "Rediscovering Principles of Public Administration," *Public Administration Review*, Vol. 55, No. 2, March/April 1995, pp. 135-147.
- Morgan, David R. and Robert E. England, "The Two Faces of Privatization," *Public Administration Review*, 48(6), Nov-Dec. 1988, pp. 979-987.
- National Academy of Public Administration, *Privatization: The Challenge To Public Management*. Washington, D.C.: National Academy of Public Administration, March 1989, reprinted in Ott et al(eds), *Public Management: The Essential Readings*, Chicago: Lyceum Books, 1991, pp. 145-154.
- National Performance Review*, Washington, D.C., September 1993.
- Nelson, Barbara J., "Purchase of Services," Chapter in *Productivity Improvement Handbook For State And Local Government*, George Washnis, ed., New York: Wiley, 1980, pp. 427-447.
- Niskanen, William A., *Bureaucracy and Representative Government*, Chicago: Aldine Atherton, 1971.
- Ogilvy, James A., "Scenarios for the Future of Governance," *The Bureaucrat*, Winter 1986-87, pp. 13-16.
- Osborne, David and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Reading, MA: Addison-Wesley, 1992.

- Osborne, David, "Ten Ways to Turn D.C. Around," *The Washington Post Magazine*, Dec. 9, 1990, pp. 19-43, Ostrom, E. and Ostrom V., "Public Choice: A Different Approach to the Study of Public Administration," *Public Administration Review*, 31, 1971, pp. 203-216.
- Ostrom, Elinor, "A Method of Institutional Analysis and an Application to Multiorganizational Arrangements," in Kaufman, Franz-Xaver(ed.), *The Public Sector: Challenge for Coordination and Learning*, Berlin: Walter de Gruyter, 1991, pp. 501-525.
- Ostrom, V., "Some Problems in Doing Political Theory: A Response to Golembiewski's 'Critique'," *American Political Science Review*, 71, 1977, pp. 1508-1525.
- Ostrom, Vincent, *The Intellectual Crisis in American Public Administration*, University of Alabama Press, 1989a.
- Ostrom, Vincent, "Some Developments in the Study of Market Choice, Public Choice and Institutional Choice," in Rabin, Jack, W. Bartley Hildreth and Gerald J. Miller(eds.), *Handbook of Public Administration*, New York: Marcel Dekker, 1989b, pp. 861-883.
- Paynter, John, Comment: "On a Redefinition of Administration Responsibility," in Marini, Frank(ed.), *Toward A New Public Administration: The Minnowbrook Perspective*, Chandler Publishing Co., 1971.
- Performance Measurement: A Guide for Local Elected Officials*, Washington, D.C.: The Urban Institute, 1980.
- Perrow, Charles, *Complex Organizations*, New York: Random House, 1987.
- President's Committee on Administrative Management, *Report With*

- Special Studies*, Brownlow Committee, U.S. Government Printing Office, Washington, D.C., 1937.
- Pressman, Jeffrey L. and Aaron Wildavsky, *Implementation*, 3rd ed., Berkeley: University of California Press, 1984.
- "Program Performance Measures: Federal Agency Collection and Use of Performance Data," Report to the Chairman and Ranking Minority Member, Committee on Governmental Affairs, U.S. Senate. Washington, D.C.: United States General Accounting Office, May 1992.
- Public Employees Roundtable, *Unsung Heroes*, newsletter, Washington, D.C. : Public Employees Roundtable, 1987-1990.
- Quinn, Robert E., *Beyond Rational Management*, San Francisco, Jossey-Bass, 1988.
- Rabin, Jack,(ed.), "Governmental Efficiency," *Symposium in Public Productivity and Management Review*, Vol. XIII, No. 4, Summer 1990, pp. 331-396.
- Rainey, Hal G., *Understanding and Managing Public Organizations*. Jossey-Bass, 1991.
- Report of the National Commission on the Public Service*, Washington, D.C.: Volcker Commission, 1989.
- Riggs, Fred W., "Bureaucracy and the Constitution," *Public Administration Review*, Vol. 54, No. 1, January/February 1994, pp. 65-72.
- Riggs, Fred W., *Prismatic Society Revisited*, Morristown, NJ: General Learning Press, 1994.
- Ripley, Randall and Grace Franklin, *Congress, the Bureaucracy and Public*

Policy, Brooks/Cole, 1991.

Roberts, Alasdair, "Demonstrating Neutrality: The Rockefeller Philanthropies and the Evolution of Public Administration," *Public Administration Review*, Vol. 54, No. 3, May/June 1994, pp. 221-228.

Roethlisberger, Fritz J., *Management and Morale*, Cambridge, MA: Harvard University Press, 1941.

Rohr, John A., *To Run A Constitution: The Legitimacy of the Administrative State*, Lawrence: University Press of Kansas, 1986.

Rohr, John, "The Constitutional Case for Public Administration," in Wamsley, Gary et al., *Refounding Public Administration*. Newbury Park, CA: Sage Publications, 1990, pp. 52-96.

Roper Center for Public Opinion Research, Data base search, Storrs, Ct. 1986, 1991.

Rosenbloom, David H., "Public Administration Theory and the Separation of Powers," *Public Administration Review*, Vol. 43, No. 3, May/June 1983, pp. 219-226.

Rosenbloom, David, "Public Law and Regulation," in Rabin, Jack, W. Bartley Hildreth and Gerald J. Miller(eds.), *Handbook of Public Administration*, New York: Marcel Dekker, 1989, pp. 523-577.

Rourke, Francis E., *Bureaucracy, Politics and Public Policy*, Boston: Little, Brown and Company, 1984.

Sabatier, Paul and David Mazmanian, "The Conditions of Effective Implementation: A Guide to accomplishing Policy Objectives," *Policy Analysis*, Vol. 5, No. 4, Fall 1979, pp. 481-504.

Sabatier, Paul, "An Advocacy Coalition Framework of Policy Change and

- the Role of Policy Oriented Learning Therein," *Policy Sciences*, Vol. 21, 1988, pp. 129-168.
- Savas, E.S.(a), "Municipal Monopolies versus Competition in Delivering Urban Services," in Willis D. Hawley and David Rogers(eds.), *Improving The Quality Of Urban Management*, vol. 8, *Urban Affairs Annual Reviews*, Beverly Hills: Sage, 1974, pp. 473-500.
- Savas, E.S.(b), "Privatization and Productivity," Chapter in Marc Holzer(ed.), *Public Productivity Handbook*, New York, Marcel Dekker, 1992. pp. 79-98.
- Savas, E.S.(c), *Privatization: The Key To Better Government*, Chatham, N.J.: Chatham House Publishers, 1987.
- Schnieder, Mark, "Intermunicipal Competition, Budget-Maximizing Bureaucrats, and the Level of Suburban Competition," *American Journal Of Political Science*, Vol. 33, No. 3, August 1989, pp. 612-28.
- Schubert, Glendon A., Jr., "The Public Interest in Administrative Decision-Making: Theorem, Theosophy, or Theory," *American Political Science Review*, 51, June 1957, pp. 346-348.
- Selznick, P. A., *TVA and the Grass Roots*, New York: Harper and Row, 1949.
- Shafritz, Jay M. and Albert C. Hyde(eds.), *Classics of Public Administration*, 3rd ed., Wadsworth Publishing, 1991.
- Simon, H. A., "The Proverbs of Administration," *Public Administration Review*, Vol. 6, 1946, pp. 53-67.
- Simon, Herbert A., Smithburg, Donald W. and Victor A. Thompson, *Public Administration*, New York: Knopf, 1950.

- Simon, H. A., *Administrative Behavior: A Study of Decision-Making Process in Administrative Organizations*, 2nd. ed., Free Press, New York, 1975.
- Simon, Herbert A., "The Changing Theory and Changing Practice of Public Administration," in de Sola Pool(ed.), *Contemporary Political Science: Towards Empirical Theory*, McGraw Hill, 1967.
- Stahl, O. Glenn, "What's Missing in Privatization," *The Bureaucrat*, Summer, 1988, pp. 41-44.
- Stillman, R. J., Jr., "Professor Ostrom's New Paradigm for American Public Administration--Adequate or Antique?," *Midwest Review of Public Administration*, Vol. 10, 1976, 179-182.
- Stillman, Richard J., Jr., *Preface to Public Administration Theory: A Search for Themes and Directions*, New York, NY, St. Martin's Press, 1991.
- Stillman, Richard J., Jr., "The Refounding Movement in American Public Administration," *Administrative Theory and Praxis*, Vol. 17, No. 1, 1995, pp. 29-45.
- Stillman, Richard J., Jr., "Woodrow Wilson and the study of Administration: A New Look at an Old Essay," *American Political Science Review*, Vol. 67, 1973, pp. 582-588.
- Sullivan, Harold J., "Privatization of Public Services: A Growing Threat to Constitutional Rights," *Public Administration Review*, 47(6). Nov. -Dec. 1987, pp. 461-487.
- Susan L. Grace and Marc Holzer, "Labor-Management Cooperation: An Opportunity for Change," in Marc Holzer(ed.), *Public Productivity*

- Handbook*, New York: Marcel Dekker, 1992, pp. 487-498.
- Taylor, F., *Scientific Management*, Harper and Row, New York, 1923.
- Taylor, F., *Shop Management*, Harper and Row, New York, 1903.
- Taylor, F., *The Principles of Scientific Management*, Norton, New York, 1911.
- Thayer, Frederick C., "Privatization: Carnage, Chaos and Corruption," reprinted in J. Steven Ott et al(eds.), *Public Management: The Essential Readings*. Chicago: Lyceum Books, 1991. pp. 154-168.
- Thompson, Michael, Ellis, Richard and Aaron Wildavsky, *Cultural Theory*, Bolder, CO: Westview, 1990.
- Tolchin, Martin and Susan Tolchin, *To the Victor... Political Patronage From the Clubhouse to the White House*, New York: Vintage Books, 1954.
- Trist, E. L. et al., *Organizational Choice*. London: Tavistock Publications, 1963.
- U.S. Executive Office of the President, *National Performance Review, From Red Tape to Results: Creating Government that Works Better and Costs Less*, Washington, DC: Government Printing Office, 1993.
- Urwick, Lyndall F., "Organization as a Technical Matter," in Gullick, L. and L. Urwick(eds.), *Papers on the Science of Administration*, New York: Augustus M. Kelley, 1969(originally published 1937).
- Urwick, Lyndall F., *Notes on the Theory of Organization*, New York: AMA, 1952.
- Van Riper, P. P., "The Politics-Administration Dichotomy: Concept or Reality?," in Rabin, Jack and James Bowman(eds.), *Politics and*

- Administration: Woodrow Wilson and American Public Administration.* New York: Marcel Dekker, 1984, pp. 203-218.
- Vroom, V. H., *Work and Motivation*, New York: John Wiley and Sons, 1964.
- Waldo, D., *The Administrative State*, 2nd ed., Holmes and Meier, New York, 1984 [1948].
- Waldo, Dwight, "A Theory of Public Administration Means in Our Time a Theory of Politics Also," in Lynn, Naomi and Aaron Wildavsky(eds.), *Public Administration: The State of the Discipline*, Chatham, NJ: Chatham House, 1990, pp. 73-84.
- Waldo, Dwight, "Organization Theory: An Elephantine Problem," *Public Administration Review*, Autumn 1961, Vol. 21, No. 4, pp. 210-225.
- Wamsley, G. L. and M. N. Zald, *The Political Economy of Public Organizations*, Heath, 1973.
- Wamsley, Gary et al., "Public Administration and the Governance Process: Shifting the Political Dialogue," the "Blacksburg Manifesto" in Wamsley, Gary et al., *Refounding Public Administration*, Newbury Park, CA: Sage Publications, 1990, pp. 31-52. a.k.a. "Blacksburg Manifesto."
- Warren, Kenneth, "We Have Debated Ad Nauseam the Legitimacy of the Administrative State--But Why?," *Public Administration Review*, Vol. 53, No. 3, May/June 1993, pp. 249-253.
- Washnis, George J.(ed.), *Productivity Improvement Handbook for State and Local Government*, New York: John Wiley and Sons, 1980.
- Weber, Max, "Bureaucracy," in Gerth, H. H., and Mills, C. W.(eds.), *From*

- Max Weber: Essays in Sociology*, Oxford University Press, New York, 1971.
- Weber, Max, *Economy and Society: An Outline of Interpretive Sociology*, New York: Bedminster Press, 1968.
- White, Leonard D., *Introduction to the Study of Public Administration*, New York: MacMillan Co., 1926.
- White, Leonard D., "The Personnel Problem," in Frank J. Thompson(ed.), *Classics of Public Personnel Policy*, Oak Park, Illinois: Moore Publishing, 1979.
- Wholey, Joseph S., *Organizational Excellence: Stimulating Quality and Communicating Value*, Lexington: MA: D.C. Heath and Co., 1987.
- Wildavsky, A., "Political Implications of Budget Reform," *Public Administration Review*, Vol. 21, 1961, pp. 183-190.
- Wise, Charles R., "Public Service Configurations and Public Organizations: Public Organization Design in the Post-Privatization Era," *Public Administration Review*, March/April 1990, pp. 141-155.
- William F. Winters(Chairman), *The First Report of the National Commission on the State and Local Public Service, Hard Truths/Tough Choices: An Agenda for State and Local Reform*, The Nelson A. Rockefeller Institute of Government, State University of New York at Albany, 1993.
- Williamson, Oliver E., *Markets and Hierarchies, Analysis and Antitrust Implications*, New York: Free Press, 1975.
- Willoughby, W. F., *Principles of Public Administration*, Baltimore, MD: Johns Hopkins Press, 1927.

- Willoughby, W. F., *The Government of Modern States*, New York: D. Appleton-Century Co., Inc., 1919.
- Wilson, James Q., "Reinventing Public Administration," *PS: Political Science and Politics*, December 1994, pp. 667-673.
- Wilson, Woodrow, "The Study of Administration," *Political Science Quarterly*, No. 2, June 1887, pp. 197-222.
- Wood, B. Dan and Richard W. Waterman., *Bureaucratic Dynamics: The Role of Bureaucracy in Democracy*, Boulder, CO: Westview Press, 1994.
- Wren, Daniel A., *The Evolution of Management Thought*, 4 ed., New York, NY: Wiley, 1994.
- Zaud, D. E., *Information, Organization and Power*, New York, McGraw Hill, 1981.