**Week 12**

**Where are we now? Get out the map:** PA's response to Plunkitt will be to bridge the gap between bureaucracy and democracy by building new organizations. In this process, our hands as managers will be tied by bureaucratic rigidity, vague goals, diffusion of implementation responsibility, penetration of the task environment, limited power over employees, conflicts over how and whether to use information, constant demands for increased productivity for tasks that are not very amenable to such improvements, the ever present pressure to lower taxes while delivering more services, and political pressure to make hiring and firing decision for political and ideological reasons. Although public administrators do not make policy, we can influence the way policy-makers think about problems by using our noetic authority to inform their decisions. Our ability to be persuasive is enhanced by our understanding of the policy process, which is often incremental in nature, and by the prescriptive tools (often from economic thought) we bring to the debate. However, we will also be confronted by non-decisions and the unintended consequences of policy decisions, and thus as public administrators we will "make policy" by improvising solutions to problems that land in our laps.

**Lecture Preface for Chapter 11:** This chapter contains perhaps the most startling information in the book. The degree to which we rely on privatization is staggering. For example, Henry says that "The number of employees who work indirectly for Washington under federal contracts with private business, nearly 5.17 million workers, is almost 3 times the number of federal civilian employees." This growing reliance on private contractors allows officials to claim that they are reducing the size of government (that is, people directly employed by a federal agency) while actually increasing the size of the workforce carrying out public work. Municipal governments similarly rely on private contractors to perform public services. The arguments for contracting out are usually financial, though the savings from privatization are often quite modest. Ideology is also an important motivation, since there seems to be a general belief the private sector is always better (more efficient and effective) than the public sector. Greed seems to drive some of it as well: contracts can be lucrative and poor oversight of contractors (at one point, Henry calls it "chaotic") permits the same service once performed by a government employee to be performed by a private employee at greater cost. The chapter makes clear, however, that it is competition that really matters: whether contracting to the private sector or improving the performance of the public sector, competition among providers (private or public) is what holds costs down and drives quality up, even though competition is rarely applied to contractors. Accountability is also a crucial question. Once we privatize a service, to what extent can we insure that we are getting a quality product and meeting public goals? The chapter suggests that existing oversight mechanisms, especially at the federal level, are not very good even on the financial side of contracting oversight, let alone accountability in terms of performance. This becomes particularly important when we are dealing with the most important public services, and those with the most visibility. The video for this week (*Private Warriors*) raises these issues in very compelling ways: was there adequate competition in the process of awarding contracts? To what degree did we have control over private security forces in Iraq; that is, were they part of the chain of command? To what degree did we actually manage the "public" service in this case? To what extent could we control their operations, have access to information about what they did, and hold them accountable for what they are doing? Were the procedures used to hire these firms capable of assuring that we are getting the best for our money?

Privatization is all the rage nowadays. Extraordinary amounts of money are being shifted from public sector employees to private sector contractors in a startling range of activities, including military service. The logic behind this is simple but deceptive: in the private sector, competition drives down costs and drives up quality, although in practice the claim is reduced to the erroneous assertion that "private is better than public." Lack of competition in the public sector presumably leads to higher costs and lower quality. It is also argued that the private sector has skills and knowledge that the public sector does not, although this point is debatable. Think of privatization as one technique for getting the public's work done: it might be achieved simply by leaving it to the market; or by some level of government; or by a nonprofit; or by privatization. As the government sub-contracts the pursuit of public objectives to private firms, it becomes all the more important to ask how you make those decisions, how you monitor the work of private firms (including how you gather the information to judge what they are doing and how well they are doing it), and how well they are achieving the public's goals and at what price.

Recall that privatization is actually a very old phenomenon. During Plunkitt's day, the trend was the opposite: he lived in an era of municipalization, when the limits of private provision of services were recognized and the argument was being made that government should take over those services to ensure that the public got what it really deserved. This is most clear in the chapter on municipal ownership: government taking over gas companies or subway companies that had abused the public trust rather than delivering safe, effective services to the public. As good as that sounds, however, remember what Plunkitt saw as the primary value of public ownership: jobs for Tammany men.

In the case of the ICMA-TV videos, could you tell that the workers you saw were public sector workers? What would have been gained by privatizing recycling services, for example?

## Chapter Eleven

## INTERSECTORAL ADMINISTRATION

### CHAPTER OVERVIEW

Governments collaborate with many entities but privatization only occurs with the business and nonprofit sectors. Privatization is a government's use of the private and nonprofit sectors to deliver public services and attempt to improve the content and implementation of public programs. Motivations to collaborate are discussed as well as various methods of service provision.

### CHAPTER OBJECTIVES

1. Understand and explain the reasons why governments collaborate for the implementation of public policies and the provision of public services.
2. Describe the differences between the public, private, and independent sectors.
3. Explain the process of federal privatization. Identify the positive and negative aspects of federal contracting.

4. Understand why state and local governments privatize. Identify the positive and negative aspects of state and local contracting.
5. Identify and discuss the lessons that public administrators should keep in mind throughout the contracting process.
6. Explain the role of the independent sector in intersectoral administration.

**CHAPTER OUTLINE**

COLLABORATION AND PRIVATIZATION
Why Collaborate?
An American Orthodoxy
FEDERAL PRIVATIZATION
A Forthcoming Federal Fire Sale?
The Privatization of Federal Policy
Big Bucks: The Scope of Federal Contracting
“Total Influence”
Federal Policies for Privatization
Privatization’s Ground Rules

Communities and the Independent Sector
Who Benefits?
The Third Sector and the Other Two
A CASE OF INDEPENDENT GOVERNANCE: NEIGHBORHOODS RENASCENT (case study)
Neighborhood Associations
Community Development Corporations
Residential Community Associations
The Mark of the Mini-Govs
IMPLEMENTATION BY INDIVIDUALS: VOLUNTEERS AND VOUCHERS
Volunteering for Government
Washington’s Volunteers
State and Local Volunteers
Volunteers: Productive and Pricey
Vouching for Citizen Service
Washington’s Voluminous Vouchers
State and Local Vouchers
Education Vouchers

**KEY CONCEPTS/TERMS**
sourcing
outsource
contract out
intersectoral administration
privatization
governmental function
contracting officers
FedBizOpps
lobbying
revolving door
federal service contract
competitive bidding
competitive sourcing
managed competition
public enterprises
government corporation
public authority
public-benefit corporation
special authority
special district
hybrid organizations
government-sponsored enterprises

nonprofit sector
third sector
emerging sector
independent sector
public serving organizations
public-benefit organizations
member-serving organizations
human services
social services
neighborhood associations
community development corporations
residential community associations
mini-govs
vouchers
education vouchers
school vouchers