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Introduction and Moderator:

WILLIAM A. GALSTON
Senior Fellow, The Brookings Institution

Featured Speaker:

ELAINE C. KAMARCK
John F. Kennedy School of Government
Harvard University

Commentator:

DONALD F. KETTL
Nonresident Senior Fellow, The Brookings Institution
Director, Fels Institute of Government, University of Pennsylvania

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P R O C E E D I N G S

MR. GALSTON: Okay. Let me call us to order. Good afternoon and welcome to the latest in a series of Brookings book events entitled Governing Ideas. We're here today to discuss Dr. Elaine Kamarck's latest book, *The End of Government As We Know It: Making Public Policy Work*.

More than three decades ago, Harlan Cleveland wrote and I quote, "The American people want less government and more governance." Well, I'm Bill Galston, a Senior Fellow here at Brookings, and I'm here to tell you that my institution is already on the case.

Some years ago, the name of the division in which I work was changed from governmental studies to governance studies. And while they anticipated a flood of contributions from a grateful public, it has yet to materialize. We live in hope.

About 15 years ago, my colleague in governance studies, EJ Dionne, published a well-known treatise, *Why Americans Hate Politics*. His thesis was that they hate politics because the electorate was increasingly frustrated by the polarized debate between ideologies of left and right, a debate that had thwarted efforts to resolve our most pressing public problems.

Well, Elaine Kamarck, a long time lecturer at Harvard's John F. Kennedy School of Government has written a small book with a big and different answer to Dionne's question. Her thesis is that while what government does or doesn't do matters a lot, how government does it is at least as important. Trying to operate in the 21st century with government institutions based on the 20th or

even 19th century is a prescription, she argues, for both ineffective implementation and mass public disaffection.

Few people are in a better position than Dr. Kamarck to examine this issue. For most of the Clinton-Gore Administration, she directed the National Performance Review, an effort popularly known as reinventing government. Since leaving the administration, she has advised senior officials here and abroad on ways of closing the gap between promise and performance in the public sector. Former Vice President Al Gore has rightly said that, “She’s had more practical experience with this challenge that anyone else in the world.”

We’re fortunate as well to have with us as a commentator, Don Kettl, one of the nation’s most respected scholars of public administration. After many years at the University of Wisconsin, which included services director of the university’s Robert LaFollette Institute of Public Affairs, he moved to the University of Pennsylvania and now directs, by my calculation, the 70 year old Fels Institute of Government.

His book, *The Transformation of Governance: Public Administration for the 21st Century* won the National Academy of Public Administration’s Louis Brownlo (?) Award for the best book published on public administration in 2003.

After an opening presentation by Dr. Kamarck and comments by Dr. Kettl, I’ll take the moderator’s prerogative of posing a couple of opening questions for both of them, after which, the floor will be open for questions.

So, Elaine, it’s over to you.

MS. KAMARCK: Thank you for hosting me, Bill. Thank you for

making the trip down from Philadelphia, Don. And welcome everyone.

Let me just tell you a little bit where this book came from and kind of what I think are some of the high points in it, and then we can have a conversation.

As you probably know, in the last two decades in not just the United States but in most of the advanced industrial/advanced information economies around the world, democracies, have seen a real revolution in governance. Lester Solomon, who has written an enormous doorstop of a book on this topic, calls this a revolution in the technology of government. And what it basically means is that because of a variety of factors, we are now implementing public policy in ways that are unusual and fairly new.

It used to be you could basically say that the 20th century was the bureaucratic century. We are all familiar with FDR's tick. Every time he found a problem in the Depression, he created an organization to solve the problem. We're all familiar with that.

And we're all familiar with the fact that along about the late 1970's, American states experienced tax revolts, as did the federal government. And voters said very clearly to their politicians the following. They said don't spend anymore of our money, and at the same time, they said oh, and by the way, don't give us any less government. It was a complete paradox for some people at the time, but what they were really saying is we want productivity in government.

We want policy to be implemented in the most effective way possible.

That burst, really what has been two decades of unbelievable reform, both in the United States – lead really by the United States and the Anglo-American countries, Great Britain, New Zealand, Canada, Australia and to a lesser extent but still by other advanced democracies such as the western European and some of the Nordic democracies.

And the result is that there are still traditional bureaucracies, but they exist alongside – and I’m going to quote from myself here, “New and reformed bureaucratic structures, an array of public private partnerships, such as contracting out, networked government, or co-produced government to name a few, and the use of state power to create incentives for certain behaviors where there were none before.

In other words, 21st century government is a messy blend of old fashioned bureaucracy, partly and fully privatized government, and markets. Now, it’s not surprising that there is no consensus on this state of governance as we see it. Both ends of the political spectrum kind of see what they want to see.

On the right – the right wing of the American right wing believes that most government functions could be better done by the private sector. The left wing suspects that any involvement of the private sector in the public sphere is unfairly enriching the private sector and undermining the common good.

As in most complex problems, of course, both are right and both

are wrong. So, one of the starting points of this book is in fact to look at these new modes of implementation and ask the following question. To what policy problems are they most profitably applied? When does it make sense to use one and not the other?

Now, various people from, of course, David Osborne through lots of scholars, my distinguished colleague Don Kettl included, have characterized these new forms of government in various ways. For simplicity's sake, I put them into three broad categories. Reinvented government, where the implementation mode is purely public sector, you are dealing with public employees, purely public money in a totally governmental structure.

But in the reinvented framework, it means that they may use strategies borrowed from the private sector; they may talk about customers; they may attempt to use information technology to drive up their productivity, et cetera.

The second category I look at is called – I called government by network, and I very consciously used the term government by network. Because there's lots of talk about governmental networks. There's lots of talk about social networks. There's a whole branch of both political science and sociology, trying to understand networked behavior. I'm talking about a very specific policy implementation choice, when the government decides that it doesn't want to do X by itself but it wants to cause X to be done through a variety of different kinds of

organizations, some governmental, some for profits, some for nonprofit, some even possibly religious.

And the third category I use is government by market. And what I mean here is not sort of the use of the market force to inside the government but where the state uses state power to make a conscious decision to create a markup where none existed before.

The simplest example which I always use is bottle bills, okay. Think about your coke cans, okay, where you get five cents if you return them to the grocery store, okay. Prior to that 1974 – I think that was the first bill passed in Oregon. Prior to that year, there was no market for these. State said oh, there's a lot of this liter around; how are we going to clean it up? Well, one option would have been the bureaucratic option, create the department of you know, clean streets and cleaning up bottles and have public workers pick them up. The second option would have been to contract out with certain organizations to pick them up. But in fact, what most governments – and what most state governments because this is generally state law around the United States have done is they have actually created a market that has worked fairly well in recycling bottles, coke cans, beer cans; you name it.

So, I basically divided these three – all these new implementation forms and of course, there's many permutations, as you can imagine, and then asked the following question. What kinds of policy problems should you apply

these new forms to? Because it is my sense that a lot of the problems we're going to get into, and we've already gotten into some, in 21st century government will be applying the wrong one of these new tools to the wrong kind – to a certain kind of problem.

Reinvented public sector organizations obviously can best be used where the public policy in question can be routinized and or it requires a high degree of security of large – or protection of large amounts of governmental money. So, for instance, no – you could, in fact, contract out the issuance of passports, but no one seriously thinks that issuing, having contractors issue passports is a very good idea, because it is so integral to our security.

So, on the other hand, there are things like fishing licenses, which state government routinely contract out, because you can usually buy them at the 711 or at the convenient store at a campground, okay. Again, it doesn't require a high level of security, et cetera. It can be contracted out.

So, but there are definitely some things, and this is of course, as you'll see, an attempt to get at a definition of what is a core governmental function, how would we define that. The government by network seems to be best applied where the public policy in question requires flexibility and innovation. Getting welfare mothers to work, a classic problem government has dealt with for many, many years; guess what, every woman is different. What works for one may not work for another. This requires innovation. It requires

flexibility. Obviously, research and development, obviously pure research requires this.

Interesting to think of government by network, we had a kind of historical pure test of the power of government by network. At the end of the Second World War, the United States found itself in a battle for military superiority with the Soviet Union. The Soviets made a decision on how they would pursue the Cold War. They said we're going to do all our research and development on advanced weapons systems within the Soviet state. We're going to control the research; we're going to have it within state structures; we're going to monitor closely who goes where and what they do.

The United States made a very different decision. They said yes, we're going to do some of our weapons research within the state. We're going to have Army laboratories; we're going to have Navy laboratories, et cetera. But, we're also going to involve Lockheed Martin; we're also going to involve MIT and Cal Tech. Okay. We're going to involve a lot of different people in this.

Now, along the way – and I'll get to this in a minute. Along the way, of course, there were many problems with this as everyone knows, \$600 hammers, \$500 coffee pots, et cetera. But in the end, government by network beat government that was constrained within a traditional bureaucracy.

When the Soviet Union fell and we began to read memoirs of people in the KGB, one of the things we learned to the surprise of many of us was

that the Soviets actually figured that we could develop a first strike capability, we could develop star wars. They believed in our capacity, even when we didn't believe in our capacity. So, it's a kind of nice historical example of how, in a situation where what you wanted was innovation and flexibility, the network model worked.

And finally, government by market. Where do you use government by market? You use that where you want the public policy needs to change the behavior of millions and millions of people. And in a free society, we can't do that through coercive means, so in fact, we want to create a market.

Obviously, returning your empty coke cans, that's a market. In a different public policy arena, the first Bush Administration's 1991 tradable permits plan for sulfur dioxide emissions has been one of the great public policy successes. We have lots of environmental problems, but these days acid rain does not tend to be at the top of that list because of that.

And of course, if we ever, ever decided to get serious about our consumption of fossil fuels, we would obviously do that by looking at a series of market mechanisms. It's sort of unread to think of this in any other way. Now, each of these modes of implementing policy, 21st century policy, has basic accountability problems. And if you look at it in a very rough sense, it's almost as if there's a tradeoff between innovation and accountability.

Okay. And in government by network, where what you're seeking

is innovation, the government does end up giving up some accountability, okay. It simply cannot watch and monitor to the extent that some people would like the behavior and the internal processes of tens or even hundreds of organizations that are doing its work.

I argue in the book -- which I won't go into now. I argue in the book that of course we could do a much better job at accountability in networks, but because networks have developed as a kind of default mechanism in American government, where -- that's when the problem -- the government can't begin to get its hands around the problem, so they sort of give it somebody else, that we haven't thought seriously about accountability mechanisms in network situations.

In market situations, the problem is somewhat different. Accountability involves making sure that people not gain the market. And so the classic example of failure here was illustrated in the California energy debacle a couple of years ago, where there was plenty of electricity around; it's just that nobody in California was getting it, and they were having brown outs, et cetera.

And as that story came out, it was very clear that there was extensive market manipulation by Enron, among others. And while there was clearly some overt criminal activity, there was also a market there that was designed in a such a way as to make manipulation easy and make it difficult for the government to actually find the manipulation. So, designing a market can be

very powerful, but it also is very difficult to hold it accountable.

I then proceed to say okay, look, how does this work in the real world. And, the basic thesis here is that when you have a complex policy problem, you need to take that problem, divide it into its pieces and then ask something that we are not accustomed to asking. What's the best way to do this?

So, if we look at the reform of the welfare system in the United States, the former AFDC system, which really began in the late 80's and 90's, we see a couple of these trends working simultaneously. In the determination of benefits, welfare offices went through a real revolution in the 80's and 90's, mostly a computerized revolution, where they got very good and taking the error rates and reducing the fraud in benefit determination.

Clearly, benefit determination is something that you want to keep within the purview of the public sector because it involves large amounts of public money. And in fact, what they did in the course of this is they also freed up social workers to do what social workers are trained to do, which is help people out of the jams they get themselves into, as opposed to figure out how many errors there were in the determination form.

The other thing we saw as welfare reformed itself was that in areas where you really needed to give people help and their problems were complex, there was depression, there was drug abuse, illiteracy, lots and lots of the same

problems in the same people, that in fact, you wanted to use a network, that for some people, some nonprofits worked better than others.

There were actually the existence of for profit entities in the welfare to work world which had money for investment, and they were quite competitive. And of course, the Bush Administration added religious organizations to this world. So, what you did is you had a system encouraging innovation.

And finally, in the reform of welfare, you had in fact a very good example of a market when it came to childcare. Everyone just knew that you had to provide a lot of childcare to keep welfare mothers in jobs. It was not decided to develop a national childcare system or series of national childcare centers, and in fact, most states use, with the help of federal money, use some kind of voucher system to let – which lets people go out into the marketplace and expands of course the market for childcare for poor women.

So, that's a quick way that I go through in obviously more detail in the book of saying – what I'm trying to do here is say look, we have options here for implementing policy, and the critical point is match the option to the policy, okay. Don't contract out your benefit determination, but contract out your mental health assistance or other things.

I did the same thing for the problem of homeland security. And I'm quite proud that in one book I actually talk about welfare reform and

homeland security, since I don't think there's probably any other book that talks about those two policy problems in the same book. But I do it to make the larger point that you want to be really dividing your policy problem and looking at each aspect of it and saying what is the best answer here. What is it that's going to give us the maximum outcome that we want?

Having done those things, I then turn a little bit of attention to the management problems in each kind of government. And they're very different management problems. In a reinvented public sector organization, the managers often have to get closer than a lot of managers, at least of my generation, are comfortable in to politics. Because often, in getting a modern public sector organization to be highly productive, it involves going to congress, going to a state legislature.

It involves getting out of some of the bureaucratic restrictions many of which can be decades and decades old. And it involves getting a little bit closer to that line between politics and policy, but it's essential often for public sector managers if they want to increase their productivity, which is generally the goal of a reinvented public sector organization.

In government by network, there's a different problem for the manager, and it's absolutely a human problem, which is the 100 percent probability that in any network of any set of providers, no matter where when or how, some one person or more is going to do something wrong.

They're going to waste money. They're going to take their mistress to the Bahamas on government funds, okay. They're going to throw themselves a lavish party. They're going to buy Rembrandts for their office. You know we hear these. The Washington Post is filled with these. We probably don't have once a week where something like this isn't happening.

Well, here, the management problem is really pretty tricky because what the manager has to do is preserve the network and keep overseers from putting so many restrictions on the network that in fact the network loses its capacity for innovation. And that's a really, really tricky problem.

And of course, in government by market, the manager has to, first of all, design the market right, which is extraordinarily difficult because this is not a naturally occurring market we're talking about. This is a market that you are making up by putting a price on something. So, if the price on a coke can was .0001 cents, probably not very many people would pick them up. If the price on the coke can was \$1.50, you'd have a lot of beverage manufacturers and average citizens pretty angry about this. So, part of it is designing the market right in the first place, and the other part is getting people to watch carefully for manipulation of the market.

To conclude, let me talk – let me just give you one example of how as problems evolve, we may switch our preferred mode of implementation. I'd like to talk about garbage. Garbage is a universal government responsibility.

Show me a place with a lot of garbage, and I'll show you a place that has low property values and probably a lot of public health issues, et cetera. Garbage is one of those things that ultimately is a public sector responsibility in one way or the other.

So we began dealing with garbage by having city employees, public employees pick up garbage, public employees driving public trucks through routes established in the city, picking up garbage. That got not quite as efficient as it could be.

And in many states, many cities, particularly starting in the west, we moved from a bureaucratic model to a government by network mode. And a lot of people got into the garbage hauling business. They competed with the city for the business. And so you really had a network in some cities of garbage haulers. They would compete. Sometimes you'd have one company in one sector of the city or one part of the county and another in another. And that is actually where we are kind of right now in very, very many American cities.

But we are now facing a third problem, because the problem itself changes. And now, the problem isn't so much picking up the garbage; the problem is the extent of the garbage itself. We simply have too much garbage. We're running out of landfills. Everybody remembers a couple years ago that barge from New York City, traveling around the world looking for a place to dump New York City's garbage, okay.

I mean, you know, but we basically have too much garbage. And so, in places like Portland and San Francisco, they've actually gone to a government by market model. They now charge you for garbage. The more garbage they pick up, the more money you pay. So in fact, there is a market that says garbage costs a lot of money; if you're going to generate a lot of garbage, you're going to have to pay a lot of money.

And so, in one sort of simple government problem, right, we've seen an evolution from a bureaucratic response to a government by network response to a government by market response. In thinking about public policy problems in terms of very unique – their unique shape, I believe that we can then take the next step in a way that we couldn't have done even 50 years ago and say what's the best way to accomplish this end?

Sometimes people will – you will – there's a lot of politics involved in this. Sometimes you're stepping on people's toes; sometimes you're disrupting, you know, established relationships, et cetera. But, I do believe that this is one way to begin to think about the problems of 21st century governance and to include in our thoughts questions of democratic accountability and performance that are so central to so many citizens who pay the tax bill.

So, with that quick introduction to the book, I'll turn to Don.

Thank you.

(Applause)

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

MR. KETTL: This is really a terrific book, and people who read it carefully may as they read it say I'm not so sure about this piece; this part, I like better. The one thing that I think we cannot escape is the fact that whether you like or some or most of the book, Elaine has identified the most central question of governance of the 21st century.

And in fact, the question – there are two. The first is how can we make the government that we have work? And the second is how we can try to solve the most basic problem, which is one that she struggled with in 8 years during the Clinton administration, which is how to make good government and good management also good politics.

In the end, one of the things that we've discovered is that for better or worse in the course of the last few years, we've discovered that bad management certainly creates bad political problems.

One of the things that I think people had exactly wrong after 9/11 was that people said now everything has changed. One of the things in fact, if you looked at our response to 9/11 is that we responded to it in a way that suggested that in many ways nothing had changed.

I, not too long afterwards, had lunch with the ambassador of a major west European country, which shall go nameless, who said the thing that I'm struck by is that the folks in your country faced the most important challenge in foreign policy, if not ever, at least in a generation and dealt with the most

critical 21st century problem with the best of 1950's technology.

When we encountered a problem, what do we do? When in doubt, reorganize. When we're dealing with a problem a trying to figure out how to get things to respond effectively, we structure it. In many ways, when everybody said everything had changed, what we discovered is everything didn't change.

It was really Katrina, in a way, that underlined the importance of the argument that Elaine is making, that the challenge of continuing to try to manage government as we have been managing government runs headlong into problems that simply point out the fact that government as we know it cannot possibly solve problems as we must solve them. It's Katrina, in the end, that I think has forced us to change everything. Because we discovered that the very crisis that we had to try to design our systems and try to respond to failed miserably and that nothing less than a fundamental rethinking of what we're trying to do and how we're trying to do it is what it is that has to lie at the core of all this.

And, it's Elaine's book that provides some apparatuses, some tools, and part of the rationale for trying to drive how it is we must do that. When I first got the book, I started thinking carefully about it. I still haven't completely gotten past the title page, the end of government as we know it. And I've been trying to figure out exactly what that means.

There's the obvious piece of it, which is that the government as we

ANDERSON COURT REPORTING
706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

know it can no longer continue, which is I think the Katrina lesson for sure. But there's another meaning of the title, which is the end of government as we know it. What is it that its purpose is and how can we seek to achieve it?

And the real value of the book is not only just making the obvious first point from the first reading of the title, which is what we're doing we can't continue to do any longer if we expect government to work. But it's also the need to try to rethink what the end of government is and how we accomplish. That, I think, is the real value. It's reading the cover page twice to understand the importance of the argument that Elaine is making.

What I want to try to do is to throw out just a couple of thoughts on that second point in particular, but to come at it from an obtuse angle. And this won't be the first time I've been accused of being obtuse. But I want to suggest just some different ways of cracking this problem open and looking at it because I think the fact that this is the central problem won't be as obvious to people and readers as I fear that it ought to be.

And so, I want to try to poke at some of this a little bit as a way of trying to reinforce the basic argument. The basic argument of the book is that what we really need to do is to take our problems and understand that we have different tools and sort the tools according to the problems and that there are these three basic tools, reinvented government, network government, and private sector based government.

And so, let me poke at that a little bit too, and ask a first question of whether or not this process of sorting out is really even possible, whether or not the contrary may be true. That, in fact, what may be happening is that in the effort to try to solve a problem of a government system that doesn't match our problems, that in an attempt to try draw the boundaries in different ways, we run the risk of reinforcing some of the same sets of issues.

Is it really possible to sort out the problems that we have in the different kinds of tools? And on one hand, the answer is – and I'll tip on you my conclusion. I think in the end, this is both the right question and that in the end, we have to figure out how to do it. But the problem is that it's a really messy problem that doesn't lend itself very easily to very simple solutions on this.

Let me try to explain it in a couple different ways. First is that, as Elaine talks about reinvented government, she talks about those things that are purely public. And sometimes, just for the sake of argument, I've gone into groups and I've asked identify any one function that matters that any one government agency at the federal level any longer completely controls. And I've thrown down this gauntlet and I've yet to be stumped.

There are some things that come close. But, for example, the passport case is a very interesting one. People say passports, obviously. And as you know, when you want to get a passport, you go to the state department's passport office, right? No. You go to the post office and get the forms. And in

fact, the pictures that you get come from this corner, Walgreens, or somewhere else where the photos are actually taken. It's actually a very interesting public, private, and multi networked system that actually produces that.

You try to think about air traffic control. You understand very quickly that it's a combination of the weather service, the FAA, and the private airline industry that's responsible for making air traffic control work. If you think about the transfer of social security checks, it has to do with an interdependence of the social security administration and the electronic benefits transfer system of the private banking industry.

So that increasingly, what we've discovered is that we've created this government where it's impossible to draw a line between those things that are inherently governmental and those things that in the end are things that other parts of the world have to be responsible for.

The second thing has to do with networks. And one of the things that is a corollary to the first point, I think, is that as long – if I'm right, there's nothing that's really truly fundamentally and completely governmental, then in some way we have to rely on both the network and the third tool, the private sector tool.

One of the things that one has to understand to look at why it is we made such a mess out of Katrina is that we tried to manage our governmental response in a hierarchical bureaucratic way with a problem that paid no attention

to the bureaucratic boundaries.

All you have to do is talk to the people who were stuck at the convention center, who tried to cross the bridge over to Gretna, Louisiana and were met by gunfire at the border between two adjoining counties. Whatever any governmental collaboration needs, it's probably not sheriffs shooting people trying to cross the boundaries.

And the other piece of it had to do with the fact that I'm convinced in a large part the reason why the Department of Homeland Security had a hard time responding is that so much of the apparatus at the top of the department had been contracted out that when, especially on a holiday weekend, the phone calls started coming in and there was nobody home to answer them. The problem of building the capacity inside the government to figure out how to do government stuff had been so contracted out and so networked that the basic problem was that we reacted in a bureaucratic fashion and there was nobody in charge to make sure things happened. It was simultaneously a pathology of bureaucracy and a pathology of a networked, contracted out process without bureaucracy simultaneously. And our challenge is trying to figure out how to make that work.

As I try to think this through, I think back to the case of my 91 year old mother in law, who died just about a month ago, and her name was Mildred and was really a remarkable woman. She grew up in east Texas. She

spent some time working picking cotton in the cotton fields, ended up working on an airbase in Bryan, Texas during World War II and was responsible for helping to manage an operation where fighters were being trained to engage in the next generation of technology of bombing in World War II to try to beat the Germans at that point.

She met this young dashing airman who was a lieutenant back from 50 missions of Germany. And you know what the odds were of trying to survive even 25, pretty remarkable. They fell in love, she says later because she played hard to get and none of the other women, all whom were swept off their feet would do that, and he in the end fell for her. And they ended up producing my wife, and we've been married now – we've been married for 30 years, and we've had a chance to watch them work through their lives.

She was a terrific lady, but in the last decade or so of her life got to the point where first her husband died and second, she developed progressively more complicated problems with her memory to the point that we eventually had to put her in a nursing home. And it got to the point where we simply had run out of options and she had run beyond whatever pension they had saved, and \$75,000 a year was more than I could afford out of a professor's salary. And so, going on medial assistance was the only option.

A couple of things about that, first, it's the fasting growing program in the Commonwealth of Pennsylvania's budget. Secondly, it's one of

the most fast growing programs inside in the federal government's budget. She spent the last two and a half years of her life being supported by medical assistance. And the entire process of applying for and receiving treatment from the medical assistance program, she never saw a government employee.

My single most favorite statistic about the entire federal government is that the number of people who work for the centers for Medicare and Medicaid services, who are in charge of managing this entire program, which now consists of 20 percent of the entire federal budget, just a hair over 4,000, one half of one percent of the entire federal work force is responsible for managing 20 percent of the entire federal budget.

Now, ultimately what we really cared about was the quality of care that my mother in law was receiving. Her care was completely dependent upon the federal government's spending, yet she never saw any government employees. As tax payers, we have 20 percent of what it is that we're paying our taxes for going to help people like my mother in law, but there are only 4,000 people in the entire federal government who are in charge of keeping an eye on it, half of whom are spending time working on policy planning, so they're not really managing the program.

What's happening is that something that is as close to the core governmental functions one can imagine is being really delivered through a network of what amounts to private sector service providers who are doing all the

work because there was the nursing home staff, who was terrific, who really did a great job by her, physical therapists, nutritionists, people who came in to try provide a little bit of recreation.

There was a guy who came in who was a volunteer who came in every week, who, among other things, on Saturday afternoons played food bingo. Food bingo is a variant on regular bingo. It's do you have any yogurt? Do you have any bread? Do you have any cheese? Do you have any milk? And it provided a different way of trying to stimulate the minds of some of the older folks who were there.

There was a doctor who came in, who was not an employee of the nursing home, but he was paid for by Medicare, who could have been but wasn't on the staff of the facility. There was, on top of that, a nursing – a dental facility that came in. There was a dental office on wheels, where they would come in once a month and take care of teeth and that bill would go through separately.

And then on those occasions when she had to go to the hospital, she was sent to the hospital paid for by Medicare, delivered by a private sector operation that billed Medicaid for the cost of transport.

And so, what we have here is I think in many ways the prototypical 21st century problem, which has the following characteristics. It's very expensive. It's absolutely crucial to the health and welfare of citizens. The federal government is paying for a large part of it and has only scant leverage

over it. The same is true of the nature of the state government role. And it's a federal state comparison and project that goes along with that. They have to engage in a collaboration to try to make the thing work. A lot of the service is being done in the private and the nonprofit sector.

And if you ask ultimately the most important question about who it was who was in charge of my mother in law's care, who was it who was really in charge of making sure that all these pieces came together in a consistent, coherent, cheap and effective form, who was it who was in charge of her care, and the answer is nobody. Nobody really is in charge of the entire piece of this.

What is it that's the characteristic of the government's response to Katrina? Who is ultimately in charge of the way in which things happened in New Orleans? And the answer is nobody. And we have this case where, like it or not, despite our best efforts to sort out responsibility, we've created a series of complex policy systems that involve tremendous interdependencies where nobody is fully in charge of anything.

Now, this means that Elaine is wrong? No, absolutely not. What it means is that she's in a sense absolutely right, that she's identified exactly the right collection of issues. Because she's identified the need to try to sort out those things that are governmental in nature and which have to be and ought to be part of government, must be part of government. She's identified those things that inevitably by their nature are and must be and have to be part of a networked

operation and those things that should be part of a contracted out operation.

Imagine, for example, that we went back to the question of homeland security and we had it to do all over again. Would we really put all of the airport screening in the hands of government employees? Should that have been – might that have been something we could have and should have contracted out? On the other hand, when we went to try to create an apparatus at the top of the Department of Homeland Security for figuring out how to do all this stuff, should that have been something we built the capacity for on the inside instead of contracting it out as in fact we did?

Push me hard enough and I will make an argument that at the time we created the Department of Homeland Security, in case after case after case, we made exactly the wrong collection of decisions, and we're now continuing to pay for them in ways that are likely to have continuing Katrina style effects when bad things happen, because people will expect government to respond, will discover government doesn't very well, and the implication and the reason for it is that people didn't read Elaine's book, that they didn't understand that there are separate functions here that demand different kinds of tools and different kinds of approaches and that for better or worse, we've consistently made the wrong kinds of choices.

And one of the things that Elaine is polite enough not to go into in her book is that when we fail to pay attention to the arguments that she's making,

it's not just the matter of making – of having waste, fraud, and abuse, truly fundamentally bad things happen. And like it or not, for better or worse or not, we are doomed to continue to repeat the effects of Katrina when other Katrina like things happen as they will because we will not have learned the lessons. Even worse, we will have engineered the system in a way to make it even harder to do what we say it is that we want to do.

And what I want to suggest, for better or worse, is that the lessons of Katrina are the same as the lessons for Mildred, that what it is that made care work or not for my mother in law are precisely the same as the lessons, for better or worse, that makes things work in the presence of Katrina, which leads me with the last really nasty set of questions, which is if Elaine is fundamentally right about the importance of understanding this as the central issue and the important of sorting out capacities with tools and responsibilities according, why, if as I believe it's right, don't we do it? Why not simply say this is what it is that ought to happen?

And it's basically the question of whether or not good management is or can be good politics. That in many ways, I think, is the fundamental question that Elaine comes to us from 8 years of experience in the Clinton White House. It's fundamentally the question that lies at the core of many of the things that she argues that are actually right in her book, and which lies at the core of the issues that we have to try to figure out how to sort out.

I am at the core an optimist on these questions, even though there's plenty of room for pessimism, which I'll go into in just a second. But, I want to begin and preface the pessimism with a note of optimism. Because one also might not have expected one could stand here and talk about the possibility that our former Vice President might have been involved in a movie that would have won an academy award, talking about climate change, of all things.

If that is possible, then it surely possible for us to try to address the more fundamental question of making these questions have political legs to them. But the problem is that we have a set of political institutions that in their normal functioning tend to reinforce the very worst bureaucratic pathologies in what's fundamentally a post bureaucratic era.

One of the things that happens time after time after time after time is that the response by both citizens and the media and too often, our elected officials is when bad things happen, we've got to write a law to make sure it never happens again. We have to reorganize to make sure that things never happen again, assuming that we just don't forestall the question by appointing a blue ribbon commission to try to study it in the meantime.

But we have this instinct that in many ways is a threat that lurks underneath Elaine's argument, that when in doubt, if things aren't working, we need to reorganize. We need to restructure. And there's a risk that people may say and reach for Elaine's argument as just an alternative way of restructuring our

way out of the problem, instead of stopping to think about what the problem is.

What's happened is that when we encountered 9/11, the Bush Administration I think initially had the right instinct, which is let's take a deep breath here. Let's not reach into our bag of organizational tricks to reorganize everything. But eventually the force for creating a new Department of Homeland Security was irresistible.

And in the end, as I suggest, I think all the wrong instincts happened. The department was created in a way that made it very difficult to run. Exactly the wrong things were contracted out. Some of the things that should have been left in the private sector were brought into government.

We systematically, in a way that would have been hard to imagine to do worse, made case after case exactly the wrong decisions when we had the chance to do it otherwise, all because of political incentives that made it impossible to pursue the kinds of strategies that Elaine talks about.

When we had the situation that happened as it did so miserably down in New Orleans, what we had was a set of conclusions that said now, we've got to reorganize the Department of Homeland Security all over again, so we'll take the previous pathology and compound it.

Then we're going to try to make sure that since we've proven that in the case of serious disasters local and state governments aren't capable of responding, well, change the hair trigger so that the feds will come in much more

quickly, which in a system of federalism is exactly the wrong answer as well. And then we'll try to figure out ways of bringing more smart contractors in to figure out how to solve the problem, which only continues to assure that we're not going to have sufficient capacity at the top for the leadership the department needs.

If you stop and think about it from a political point of view, it all makes perfect sense. If you think about it in terms of creating the end of government as we know it, it doesn't. And so, the real and the most fundamental challenge, which is I think partially answerable by focusing on results instead of process, by focusing on information technology instead of going through standard bureaucratic rules, which is possible by trying to emphasize and to celebrate leadership where we can find it, which is possible because it's being done, which was possible and was accomplished in New Orleans.

Because we had people like Admiral Thad Allen who came in and proved that what Michael Brown did not do could in fact have been done. That is, we know how to do this; and we know that when it's done people appreciate it; and we know that when it's done there's political support for it.

What we have to do is find a way to make sure that Elaine's effort to try to sort out these basic problems into basic tools doesn't become just simply the latest version of trying to avoid the most important question of the 21st century by simply finding new rabbit holes into which to put them. That's the

fundamental challenge of the book.

This is not to say that the book is wrong. It's to say that without an effort to try to make a way of making good management good politics, we run the risk that people will simply find one more way to avoid what is the inescapable question for the new century.

Thanks.

(Applause)

MR. GALSTON: Well, thanks to both of you for two superb presentations.

And I am going to exercise moderator's not prerogative, but rather self restraint. You have been a very loyal and patient audience, and so I'm going to go straight to your questions. And if there's a little bit of time at the end, perhaps we can get to mine.

I believe that there are roving microphones. Very good. Please identify yourself by name and affiliation, if appropriate, before asking your question.

Yes, ma'am, in the back?

MS. ANDERSON: My name is Christina Anderson. I'm a Kennedy School grad many years ago. But my question is this. It sounds like we have this wonderful set of tools, but the will to use them and the leadership to use them, it's kind of like government culture. It has to happen at the top.

ANDERSON COURT REPORTING
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Could you talk for a few minutes about how that process might work?

MS. KAMARCK: Absolutely. And I think that was one of the things that was most instructive about Don's comments on the book is one of the things that happens particularly in the network, government by network, which is the most probably common new thing here, is that people who create the networks, who are allegedly responsible because they're at the head of the funding stream which enables the network, have been actually very reluctant to hold the network accountable.

And there are a variety of reasons, some of which I go into in the book. The examples I have in the book, a lot of them come from welfare to work networks. And what you find there is, first of all, most of that money is federal. There is some state money going along. There is ultimately federal accountability.

But the actual contracting and the writing of the contract, including what performance measures are expected of the contractor, often takes place at the city or the county level. And, not surprisingly, politics creeps in there. So, what happens, what you see time and time again is a contract written with really very, very modest performance goals, because the contract is going to a nonprofit in the county that happens to be very important politically to the political leadership in the county.

When other groups come along and they try to compete and they

say wait a minute, we can place twice as many people as you're placing, the people at the county level are kind of uninterested in increasing the performance – in making the performance metrics more difficult to achieve, because in fact, they're solving a variety of problems, not just the welfare to work problem with this.

So, you find this – I mean, this is an age old problem in military contracting, okay, sweetheart contracts, et cetera. There is no easy answer to this, but it is very clear that people who are responsible for these networks have not been held accountable for the overall performance of those networks.

And I'm not quite sure why. My guess in the book is that these networks evolve as the kind of default position of government, that difficult problems kind of got swept out the door. Oh, let's contract that out because we can't figure out how to do it here, or we're too busy, or there's FTE(?) caps and we have budget, but we don't have people, whatever the reasons are, and that in fact, the government itself has not looked at this as a conscious implementation decision which some person or group of people ought to be held accountable for.

And so, what you see all over in government contracting, whether it's the federal level or state or local level is that once you get in the door there, you're there for life. And the problem with that is of course it zaps the network of the very thing that you want a network to do, which is to create – is to be innovative, to be flexible, to kind of do the sorts of things that traditional

bureaucracies are no good at doing.

And so, I do make a plea in this book for greater – for the exercise of accountability on the part of people who manage networks. And these days at the Kennedy School, we spend a lot of time with our students talking about – certainly Steve Kelman and I spend a lot of time talking about the management of contracts, the management of these networks. Because it's very clear that our students are going into a world where they'll face even more of that as government managers.

MR. GALSTON: Don, do you want to comment on this?

MR. KETTL: Sure. Let me reinforce that point, because the premise was what is it that it's going to take for us to get used to using these tools. The fact is we are. And so it's not so much that we have to decide whether or not to use them. We have to figure out how to make them work.

For a whole variety of reasons, most of which have to do with the kind of game we like to play with ourselves about making sure government doesn't get too big. We've pushed a lot of these functions out of government into the hands of these complex networks and in terms of these relationships with public and private contractors.

And we've been doing it pretty systematically now for two generations. There's no chance we're going to go back. And now, the reality is trying to figure out how to make work what it is that we've built. And the

pessimistic side of this is – and if you really want to be depressed on this question, one of the things to do is to go look at the government accountability office high risk list.

MS. KAMARCK: Oh, yes.

MR. KETTL: This is the list of the programs most prone to fraud, waste, and abuse in the federal government. Put that list against Elaine's tools.

And when it comes to the programs operated through networks and through the private sector, it lights up and goes off the chart. Almost without exception, the programs most prone to fraud, waste, and abuse are those that are managed either through private organizations by contract or through inter-organizational networks.

There is almost nothing else on there that is not one of them. And the one exception has to do with the government's human capital problem, which is the reinvented government part of it that is required to run the other two.

So, there is no doubt we're already doing it. We're not doing it real well. And it's clear that our challenge is trying to figure out the capacity for doing it better. Because if we don't, again, really, bad things will happen.

Now, one of the truly unusual pieces of news -- and this is something that probably only this audience could identify and appreciate and celebrate. But one program was actually moved off that list. It's a HUD program that had been prone and suffered from waste, fraud, and abuse and was on this

list. And they managed to get it off because they used Elaine's first set of tools to solve the second and the third.

And so, the important thing is to recognize that that is the right question, that it's solvable, and that it's a matter of understanding the interrelationships of these tools as we try to go about trying to do it.

So, it's not so much a matter of how do we get people to use the tools, because we have. We've been doing it since World War II and there's no going back. It's when do we use which tool for which kind of problem and how do we make sure we manage each of those tools well.

MR. GALSTON: Yes, sir?

MR. TROTZO: Hi. My name is Charles Trotzo. I'm just a consultant.

MR. GALSTON: Part of the network, in other words.

MS. KAMARCK: That means he runs the government.

MR. TROTZO: It's a rhetorical question which leads into my real question. It reminds – why did I get reminded of the old quotation from Winston Churchill that when he was asked what he thought of Americans, and he said gosh, they're wonderful people. You can rely on them to do the right thing after they've tried everything else.

But you know, if you stop and think about that answer, everything else includes all the developments that have gone forth between then and now.

And so, my question is why do you think this is any different – the government faces any different problem in the private sector faces?

When I was a kid, the steel industry, all of them owned their own iron ore, their own coal mines, their own limestone, everything. After I was half grown up at least, if not more, they all got rid of this stuff. I mean, they focused on “core competence.”

MS. KAMARCK: Uh-huh.

MR. TROTZO: I don't know what their core competence meant anymore than anyone else does. So now what's going on is we now have consolidation and a little bit more going back and integrating because oh, we have to be reassured that we're going to have a supply. So I'm thinking that maybe down the street at the NAM, somebody is giving this exact kind of lecture saying how are you going to decide what should be scope of (off mike) your decision province. And that changes over time. Information technology has changed that drastically, plus technology and production.

And so, are we just in a – it's obviously not a circle. We've gone in a straight line and this is not going to end. We just thought we can have this annual seminar raising this issue about what's the right set of tools to use.

MS. KAMARCK: Look, I think you're exactly right. There are many private sector analogies. And it is very much like the private sector trying to figure out what its core competency is. You have here – you have also very

similar to your responsibility to the stockholders. You have accountability questions and how do you exercise that accountability, et cetera.

I think the one – the reason that we’re talking about this now so much is that this revolution of government technologies kind of happens in almost a willy-nilly way. I mean, David Osborne reported on it and wrote two wonderful books saying – telling us exactly what was happening, you know, as it was happening.

But now we’ve got it. And in fact, it’s not clear that it’s working all that well. And it is clear, as I think Don has been suggesting, that there may be some areas we need to pull back. A lot of what has been – a lot of things have been contracted out in the government, where you could probably say to yourselves no, you know, why don’t you bring it in, think about how to do that efficiently that belongs in the government.

So, what I try to do in this book is kind of set up – and there’s lots of three by three table and four by three tables, et cetera – is I try to kind of set up a way to help us think about what belongs where and why do we want to contract something out and why might we want to keep it in, depending upon the characteristics of the – not the whole policy problem, the piece of the policy problem.

Let me give you a simple example. I talk about intelligence reform in the book, reform in the intelligence community. And, you know, when you

move from the Soviet – when you move from watching that box that was the Soviet Union, right, another bureaucracy even worse than the worst we ever had to trying to monitor networks of terrorists around the world, you obviously have to make some pretty fundamental organizational changes.

So, one of the things you have to ask yourself is okay, what do you have to keep in the government for just operational efficiency. Well, it's pretty clear that you have to keep the collection of secret information in the government. It is also pretty clear that in monitoring terrorist networks, it is not as easy to collect secret information as it used to be in the Soviet era, where we got moles and we tried to turn people, et cetera. It's a much more complicated, much more difficult problem.

And so, in this era, we need in the intelligence community – they need to be actually creating quite dense networks of relationships and contracted out or sourced out or part time helpers, who in fact are not collecting secrets, but who in fact are studying and understanding the cultures in which these kinds of things happen.

Now, that's – that is – looking at the new policy problem, which is intelligence as it applies to terrorism and saying yes, there are pieces of that problem where clearly we need to keep a governmental control. But there are other pieces of that problem where we really need to get out of the CIA building over there across the river, right? There were other pieces of that problem where

we really do need to be building much more extensive networks with the private sector, with academia, et cetera, or we're never going to understand this problem.

And so, that's one of the things I hope -- what I'm hoping is that people will start sorting -- policy people and government people will start sorting these things out, right, and trying to put things where they make the most sense, just as I think in the private industry, people are looking and they're saying what's our core competency, how does this contribute to our bottom line, et cetera, et cetera. What makes the most sense for us to be doing in House? What makes most sense for us to be creating a network of suppliers around?

And you're right; it will go back and forth. But I think in the government we kind of -- and I think Don's remarks really reflect this. In the government, we kind of found -- we kind of wake up in the 21st century and we find this new thing, right? And it's about time we start thinking more carefully about what pieces of this new governance capacity belong where and where the accountability issues are.

MR. KETTL: Let me make two quick points in response. The first is -- to say something completely different because I agree with everything that Elaine said on that. It was right on target.

The first thing is though on the private sector model on this one of the ways in which we've gotten ourselves in trouble is the notion that the private sector can do anything better than the public sector can, therefore, anything that

we can push out of the government and into the private sector means that we're better off.

But the lessons of those who have actually either done this in the private sector or have done this better than we have in some respects in the public sector is that if you're going to use private sector models, you need to have the private sector model.

You need to – if you're going to be buying a widget or a windshield or a social service program, you need to know what it is that you're buying, you need to have something that approaches competition so that you know that you're paying the right price, and you've got to make sure that you're buying a high quality good.

And nobody in the private sector would even conceive of contracting out part of the supply chain without trying to figure out what they wanted to buy, how much they wanted to pay, and making sure they were getting a good quality good or service. Because the last thing you want to do is to put a radio in a new car, you turn it on and it doesn't work. And so, people in the private sector know that. That's a piece that sometimes has been missing from the effort to dash down the road toward privatization.

On the other hand, the other thing that's really interesting here is that for a long time, the thought was – because there has been a lot – if you think back over the last 20 years in particular, there has been – you've got to make

government better by looking to some place else for a model. So part of it is the private sector. The other part of it, a little bit more quietly, has been looking to what other countries are doing.

You know, what's happening is that increasingly other countries are looking to us because they've come upon the awful realization that a lot of the strategies that they have been pursuing are not working. And they're – for better or worse, rather than have the United States get to be more like other countries, they're realizing that they're becoming more like us in terms of their policy strategies and the management challenges.

So for better or worse, even though we tend to think about the government as being lagging far behind on all these issues, for better or worse, I think where Elaine is with this book is at the cutting edge of management around the world, for better or worse.

This is a great book. And Elaine has pointed to some things we need to figure out more. This is as good as anybody is on it. And so we've got a long way to go. But other countries are looking increasingly at us to try to sort it out.

MR. GALSTON: Yes, sir?

MR. MITCHELL: Thanks. Gary Mitchell from the Mitchell Report. I want to ask to what extent you've – I'm thinking about the question that Dr. Kettl posed, which is can good management become good politics. And in

that light, what I'm interested in knowing is a) whether you deal with either of these components in the book, and b) if not, what your thinking is on two components. One, can good management become good politics without a fairly fundamental change in the compensation system in the public sector and congressional reform.

MS. KAMARCK: Yes. I do, you know, I do touch on both of those things in the book and in fact, conclude. I mean one of the – if you look at the managerial skills needed to manage networks or markets, they are quite a lot more sophisticated than the managerial skills that we generally associate with the traditional bureaucracy.

And I end up making an argument at the end of this book for – to basically list the caps on federal government employment with full cognizance – of caps on salaries in federal government with full cognizance of the fact that this is terribly difficult to do politically. But, the fact of the matter is that this notion that well, there's the president and then there's the vice president and then there's the congress and everybody has to be paid less than them is killing us. It is absolutely killing us.

And I really do argue in here for somebody figuring out a way to let federal salaries, especially at the top management levels, go with – you know, basically be market salaries. And one countries has done this, Singapore. Singapore actually does a classic – you know, how the private sector does your classic executive comp studies? Singapore does executive comp studies for its

senior management in government.

They are paid at private sector rates. Last time I looked, it was about \$225,000 a year for their senior managers, which is about a good \$100,000 more than our senior top SES people now make, and they're allowed bonuses and guess what? Sometimes they don't get bonuses if they don't make productivity goals. So it's a very, very – I mean, one country has done it. Brittan has done it sort of to a lesser extent.

But it's very clear if you look at the whole argument of the book I'm arguing for a government where there may be the same or even a smaller number of actual government employees, but they're going to be much more highly empowered and you have to pay them a lot more than we're paying them, no doubt about it.

MR. GALSTON: Before Don can – I'm sorry, Elaine.

MS. KAMARCK: Oh, wait. Let me just say the second thing, congress. Congress is a big problem. Congress is an enormous problem. All – this entire revolution in government has basically gone on without congress or frankly in state levels without state legislatures. The legislative bodies have not been able to keep up with this.

I keep waiting for the day when congress realizes that GIPRA(?) standards can be used as part of hearings, that people might actually tune into congressional hearings if they were actually about what the agencies were

suppose to do. And nobody has done this yet.

And of course, you have the problem of the committee structure creating, you know, reinforcing the absence of accountability in the federal government. It's totally magnified by the split accountability. So, I mean, I'm a big advocate for a big increase in top federal salaries, all the political caveats obvious, and a big advocate for congressional reform.

The only person who ever thought seriously about congressional reform and I'll say this as a Democrat, was Newt Gingrich. You know, Gingrich came in and he really wanted to do this. He got it. He knew what was going wrong there. And of course, even with all the wind at his back with the 1994 elections, he couldn't make a dent in that.

Let me just say one last thing, because you sort of opened up a –

MR. KETTLE: You don't care about this at all though; do you?

MS. KAMARCK: No, no. Well, what you did is you opened up the topic that I end the book with, so if I'd kept writing, you know, I would have been writing about this.

The last thing is this is killing congress, okay? I mean you look at the last couple of years, congress can't hold the executive branch accountable anymore. Congress has no idea what they're doing half the time. Congress is really – this is all cutting off their nose to spite their face and I'm seriously worried about balance of power in our democracy, because of what I see as a real

weakening of congress because they can't do some of these things.

MR. GALSTON: Before I give the floor to Don, I just feel I can't restrain myself anymore from making a couple of comments in reverse order.

First of all, it is noteworthy that when the incoming democrats swore to implement all of the recommendations of the 9/11 commission, they made one conspicuous exception, and that is the recommendation that called for a fundamental reform of the congress itself, okay. Details, details.

Secondly, on the salary question, I'm reminded of a famous anecdote that goes all the way back to the early spring of 1930. You know, Babe Ruth signed an enormous new contract and a reporter came up to him and said Babe, aren't you ashamed to be making more than the president of the United States. And the Babe looked at him and grinned and said I had a better year than he did.

Okay, Don. The floor is yours.

MR. KETTL: Okay. Let me make two kinds of general comments. That's a great story.

MR. GALSTON: It's true, by the way.

MR. KETTL: The first is that there is a – I'm afraid that if there were another chapter in the book that the end of government as we know it would take on a third meaning, which is that you push this too further and the failure of congress to be able to reckon with this could have really serious consequences.

And one of the things that we have to spend a lot of priority on, a huge amount of time on is trying to figure out how to solve that. And that's part of the effort that both Tom Mann and Norm Ornstein are working on. It's important to recognize that these two things are just like this. And without a fundamental change in congress and congressional behavior, we can – the most we can hope for is to sub-optimize, to be maybe chugging along at 60 percent of where we ought to be.

And there's a serious question in terms of the future of the democracy about how long that's sustainable. I mean, how long can we be what we want to be and deserve to be if we only get 60 percent of what we want? And so, I think that's a really serious problem.

With that optimistic note behind, two more positive things. The first is that there are – there's a reason for hope in congress. In the aftermath of Katrina, the first and initial response was well, we're going to solve this problem. We're going to bring FEMA up here; we're going to slap it around a couple of times; we're going to restructure them and send them back to their corner, because that's what we always do.

Congress tiptoed up to that but stopped itself at the last moment with a much more sensible set of reforms that came out of the senate from Susan Collins and Joe Lieberman that actually, in my opinion, did exactly the right thing, that put a shot across their valve and said the last thing we need is to

restructure this one more time. What they basically said was look, this is a networked organization; let's run it like a network.

And so, there was at least an instinct in congress to do exactly what ought to be done in a way that recognizes. That was extremely hopeful. And it was the first time in recent memory that congress did not respond to a major crisis with an instinct to restructure and reorganize. That's incredibly hopeful.

The second thing is that if you look at what's happening in the states right now on the efforts to try to provide better health insurance for citizens and better healthcare, on the one level, that's really highly rhetorical, but on – at the most fundamental level, it's really management reform, because it has to do with lots of tweaks and twitches. It's going in and taking the machine apart, putting it back together again, oiling some pieces, rewiring others. It's a managerial reform. It is a managerial reform at the core that's an effort to try to manage the network of the contract system.

It's an effort to try to do exactly what you're saying, and it's having some political impact, how far it will go, how well the governors will get is very much an open question, but two things they are at least to pay attention to, that this is not a death sentence for American democracy, provided we have our wits about us. And there's reason for hope on some of these things that suggest some very interesting reforms that suggest that it is possible for good

management to be good politics.

MR. GALSTON: I saw a question. I thought you had your hand up. Yes?

FEMALE SPEAKER: Well, first of all, I wanted to say that –

MR. GALSTON: Is that on?

MS. KAMARCK: Hold it a little closer to you.

FEMALE SPEAKER: This way?

MS. KAMARCK: Yeah, that's better.

FEMALE SPEAKER: Well, I just wanted to say that I was in government 10 years ago when you were at the helm for the national performance review.

MS. KAMARCK: Uh oh.

FEMALE SPEAKER: And it was a joyous time for those of us in government because what happened was the barriers were broken down and there was continued dialogue. Where you mentioned networks, you said flexibility and innovation. And all of that came into government and there was a desire to be excellent.

And there were campaigns across government. Now, I don't know whether any of the reforms that ensued were ever institutionalized, which they should have been, but if they haven't been, it's shame. Because when you're talking about management, I feel that change is so rampant that although what

we're talking about today are the various government by the examples, management is changing because I am currently working in field of philanthropy research, and I'm looking at what social entrepreneurs and venture capitalists are funding. And they're really defining many of the issues, and there is a lot of money being put into scholarships and fellowships to train a new cadre of public leaders.

So, I guess I'm trying to marry the two parts of what I was talking about. There needs to be continued dialogue that you know, we can't be set in place because as we speak, there's change coming down the road. And that's what reinventing government did. It allowed the campaigns across the sectors to share the innovation. And that has to continue.

So, I don't know how you do it, but I would suggest that there is change going on in the nonprofit world and academe. And that kind of information has to be shared with management and government now if you want government to relevant.

MS. KAMARCK: Thank you. Thank you very much. Yes. Go ahead. Thank you.

MR. SIMMS: Hello. I'm Randy Simms. I think you mentioned GIPRA.

MS. KAMARCK: Yeah, yeah.

MR. SIMMS: I think about 15 years, maybe starting 15-20 years

ago, there were some moves in Congress to begin to want quantifiable results in government programs.

MS. KAMARCK: Uh-huh.

MR. SIMMS: And as far as I can tell that's all pretty much disappeared without a trace. Is there any evidence to the contrary?

MS. KAMARCK: There – GIPRA continues to be used. And the Bush Administration has actually added to that with something called the PART program, program assessment something, something program. You know, and in fact, I think that there is evidence on an agency by agency basis that performance metrics have been driving management, okay, and helping internally with management.

Where you see almost no evidence is performance metrics influencing congress in its attempt to hold agencies accountable. In trying to – in ending up the book, I called, just about everybody I know in Washington, including people like Jonathan Brewell, who was at OMB for so many years. And I said do you know anyplace where congress has used this. And basically, while I think it's been an actually not bad internal management tool, it seems to have escaped congress.

Now, going back to the question of congress, part of this, I think, is because congress has stopped authorizing activity. Congress in the last decade has basically – they appropriate and they do budget cycles nonstop. And the

place where you could envision a real, you know, kick from the GIPRA measurement system, which is now, you know, a decade old in some places, is in authorizing committees, where people are – where theoretically, right, congress is supposed to periodically take a look at an agency and ask what's it doing, how's it doing, how do we know that it's doing what we want it to do.

And so, I think that – to be the pessimist here, we've stopped authorizing, and that has hurt our accountability. To be an optimist, if in fact, congress could even get itself back into the authorizing business, they would in fact, at this point, have a very rich treasure trove of data from which to look at how an agency has been operating and then perhaps they would begin to use it in their appropriating behavior.

But right now, all this business seems to be something that goes on within agencies, within the executive branch, and even though Congress passed and even sort of came up with it, again, it's another way in which Congress has been kind of at the sidelines of the last 20 years of revolution in how we run government.

MR. KETTL: Let me try to make this absolutely actionable and go at the most fundamental question we're going to have to face.

And you go back to the end of the Clinton Administration; the Bush Administration came in, took one look at the reinventing government office and did two things. They closed it down instantly. Everybody was gone. The

doors were shuttered. And then they created a separate system inside OMB to try to take parts of it and move it forward. That establishes, I think, one thing, that if you're the new president, you can't not do something.

And so, the interesting question here is now that we've had eight years of reinventing government and eight years of OMB in part, what is it that the Obama, Clinton, Giuliani, McCain, whoever, administration is going to do? And one thing is absolutely clear. It's going to have to be something. The second thing that's clear is that I'm not sure what it's going to be, but something is going to have to happen. There's going to have to be something, because you can't be serious.

At the very least, the stakes have been raised in town here that you can't be a serious contender for having the wits about you and managing the executive office without something. And so, the question is okay, what is the something? What would you call it? What would you do? How would you make it work? And if you read Elaine Kamarck's book, what should it be?

That I think is – we can come down out of the clouds where sometimes my brain rests thinking about the future of democracy and the role of congress that say okay, what's the 10 page memo you ought to write that says what the answer to that is. And that, I think, is the action item right now.

MR. GALSTON: Other questions? Yes, ma'am.

MS. KESTON: When you talk about –

MR. GALSTON: And you are?

MS. KESTON: I'm sorry. Joan Keston. We've talked about shadow governments being used.

MS. KAMARCK: Uh-huh.

MS. KESTON: And the loss of expertise and that cost is there for accountability. You don't – if you've given up expertise because you're contracting everything out, then it's very hard to have accountability. And on the mega level, you're not going to read that in your report. You're not going to know what happened way down below; you're going to only know what happened big scale.

And I think that's what you're talking about; is it not?

MS. KAMARCK: Yeah.

MS. KESTON: And that's what's critical is using that accountability as a way to –

MS. KAMARCK: That's exactly right. And one of the things I talk about in here is how the managers of networks or state created markets, right, they ought to be constantly learning from the network. There ought to be a process of continually learning which provider is the best, who is doing the best job, which techniques are the best, can we apply this technique when we set the – when we let a new contract, what have we learned from the old contract to improve the new contract.

So, in fact, there is – if you think about a government by network, right, at the core of the managerial job is continual learning from the network so that you're always improving the outcome of the network as a whole. You're flushing out the worst performers. You're increasing the network requirements for better performers and you're sort of pushing that productivity.

That tends not to happen right now, okay. It tends actually not to happen. An then when you look at the question of trying to create markets, which is even newer and we've had even less experience, right, there, the managerial job is quite complicated, okay. And in fact, we have lots of examples of screw ups in creating markets, okay.

But the managerial job there requires a huge amount of expertise in both the creation of the market in the first place and then the monitoring of the market to prevent gaming in the market. And we haven't really done that.

Now, we even get that in traditional government bureaucracies, so the place where I've always talked about this most and it is an ongoing problem is cyber crime. You talk to anybody in the FBI and what they'll tell you is that the banks – Citibank, giving an example, is under constant attack by hackers. Why? Because just to paraphrase the old Willie –

MR. GALSTON: Willie Sutton.

MS. KAMARCK: -- Sutton group because that's where the money is, right? They don't rob banks anymore; they try to hack into banks. Well, what

happens as a regular feature almost everyday is the internal security person at Citibank and their team of very, very well paid people plug the holes. They plug the holes.

Do they tell the FBI? No. Because first of all, they don't trust that the FBI won't reveal some -- let it leak and anybody who has a bank account at Citibank would get pretty nervous, so they don't tell the FBI. And also, they're a little bit worried that the FBI might reveal some trade secret to say Bank of America or some competitor.

Now, the cumulative effect of this inability of the FBI to build some kind of relationship over cyber crime is they are getting dumber and dumber. The bottom line is they are not learning institutionally how to fight cyber crime.

The Boston FBI person that I really spent a lot of time, she came to a couple of my classes on this, was a very, very pretty 35 year old woman. And she just went to all the bankers' conferences kind of saying I'm the FBI and I'm really nice, and would you talk to me. Okay. And they kind of did. And that's what she had to do to learn things. I mean, that's -- not everybody was going to be able to learn things as easily as she did.

The fact of the matter is that the government in certain fundamental new areas in getting dumb. And we can't go on like that. And it's very fine that Citibank's internal security people can block their -- you know, can

do patches in their systems, but they can't go out and track down hackers. And they certainly can't arrest them and bring them into jail and you know, put them on trial.

So, the hackers, they just go onto the next and perhaps more vulnerable target. We will get to a point where this is a real, real crisis and we're not going to have governmental capacity.

So, again, and it goes back to the point about raising the salaries. We can't continue to run a complex government in a complex society if we're not willing to pay people and get the best people. Why did the IRS spend four billion dollars over ten years on computer systems that didn't work? You know, I mean

—

MR. KETTL: That's something that is worth repeating.

MS. KAMARCK: Four billion dollars over ten years on computer systems – everybody in this room probably knew that.

MR. KETTL: I was part of a working group reviewing one of the interim assessments of that FBI computer – rather the IRS computer system and it made you want to cry.

MS. KAMARCK: Yeah, absolutely. So anyway, I take your point. We have to have a smarter government. It may be a smaller one, you know. It may not be – do itself all the things that the government used to do. And that's kind of the part of the other purpose of the book is you know, it may

be that it's just fine to let other groups do it, but boy, at the top, we need some real talent or else we will lose all our capacity for accountability.

MR. KETTL: And just to underline the fact that this is not just a hypothetical and not only has it already happened to us at the IRS – and by the way, the same thing happened with the FAA with air traffic control, same kind of story.

MS. KAMARCK: Yeah, that's right.

MR. KETTL: But lest you think that this idea about cyber crime and the banking industry was hypothetical, think spinach. Because we've already been there with spinach with a different kind of case, same kind of story with the difficulty of the government having enough capacity and competence and ability to be able to leverage the network in a way to try to get things done.

Because the government didn't screw up and put bad stuff into people's bags of spinach. It happened in the private sector. But people expected the government to solve the problem. And the problem was figuring out how to get the capacity over the network to deal with that stuff.

And one of the things that happened in New Orleans was that when Thad Allen, the Coast Guard Admiral came in to replace Michael Brown, one of the things that he introduced was this concept – he said we're not going to so much worry about unity of command, because that was the watch word before, he was talking about unity of effort and unity of resolve. That is - and it was very

subtle.

This is a quasi -- this is a military guy saying we're not going to worry about unity of command, so that the walls not fall down around us. What he was really talking about is it's my job to come in here and kick butt and yell at people to make sure that whoever it is who can contribute to solving the problem gets the problem solved.

And that's the core of all this. It's developing the managerial tools to make that happen.

MR. GALSTON: I'm going to now take the liberty of posing the final question. But before I do, let me just say that I've been to a lot of Brookings events and I have to say that the questions that you have posed have been among the most intelligent, the most penetrating and pertinent that I've ever heard. So, before I congratulate our speakers, let me congratulate you, because you've really moved the conversation forward.

I'm going to end this wonderful event with a role playing exercise. And it is so hypothetical and contrary to fact, you'll immediately see that. I am the president of the United States. I have convened a meeting in the Roosevelt room. Eight of the nation's leading experts in public administration around the table and me and some aids giving me cookies and taking notes, okay. And I make an opening statement of the following form.

The most serious domestic managerial problem that I've face

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706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190

during my presidency is the aftermath of Katrina. And I said all sorts of wonderful things at the right time. I made all sorts of grand promises. I meant it when I said, but I've failed. And the government has failed. And the result of that is that less than half the population is back, only a third of the hospital beds are now up and running. The basic systems of New Orleans are not creating the kind of infrastructure that enables people who want to come back to return. And clearly, the system for compensating people for damages to homes and businesses is totally broken. We're tied up in knots. The recovery process is frozen.

I'm going to give each one of you five minutes, what the heck should I do now?

Elaine, the floor is yours.

MS. KAMARCK: I would begin -- and it goes back to something that Don said about the high risk list that GAO comes out with, okay. I would begin with in fact putting a great big piece of paper up on the board and drawing the networks of contractors. And then if there is no one in charge, as their often is not, I would put somebody in charge of each of the particular types of contracts.

And I would say what have we spent, who have we spent it on, and what have they delivered? If they've delivered good things, that's fine. If they haven't, why not? And what changes do we need to make in this constellation of providers of rebuilding or whatever? What changes do we need to make so that

we can actually get some better results and so that we can improve the performance of the network as a whole?

And I would do that and I think it's possible to be done, but I think it has to be done and there has to be somebody who is clearly in charge, who can go to congressman X and say yeah, I know the guy who is the provider of plywood is your biggest contributor, but you know what? We're going to end that contract right away or I'll give you a chance to have him double his productivity and maybe he can keep the contract, okay? So, I would do some real accountability on providers.

Let me step back, though, to the actual emergency itself. And one of the ironies of Katrina is that there was in place the national response plan when Hurricane Katrina hit. And the national response plan had in it a change in the assumptions about emergency response that was brand new, so new, that in fact, Secretary Chertoff didn't know it was there for five days.

And it was as follows: For 50 years, we've operated under the Stafford Act. The Stafford Act has always made the assumption that first responders are state and local. They request to the president the appropriate need.

In the national response plan, because they were thinking of catastrophic events like a small nuclear device hitting the city or something like that, in the national response plan, they switched that. And they said gee, there may be events where the first responders are victims. And in fact, in Katrina, as in one

other hurricane, which was Hurricane Andrew in 1989, the first responders were in fact victims.

The entire triggering sequence of federal aid couldn't work because for two days Ray Nagin was in a Hyatt Regency with no cell phone, okay? And the cops couldn't get to the cop cars, and the bus drivers couldn't get to the buses, and the firemen couldn't get here, da da da.

Now, ironically, DHS had thought about this, but of course, they had thought about it in the context of a terrorist attack. And in the situation where the first responders are victims, there's only one option. And that is to call out the United States military on US soil. And in fact, the national response plan makes – you know, makes accommodation for that.

The big irony was that the 101st airborne sent to deploy in 15 hours anywhere in the world was sitting 5 hours away from New Orleans. And it took days to call them. AWAK planes could have re – put the communication back together in New Orleans and at least had the first responders talking to each other. They were not deployed for days.

I mean there was a fundamental paradigm shift here in the size of the catastrophe that changed in fact the whole way we'd always dealt with catastrophes. And I've argued in a different article in the Harvard Law on Policy Review, I've argued that going forward between global warming causing more catastrophic climate events and the possibility of catastrophic terrorism – and you

know, by the way, 9/11 was not catastrophic terrorism. The first responder capacity of New York City, the communications capacity of New York City, emergency communications was entirely intact, okay. So the system there, the emergency response system actually worked it just fine, which is why you didn't have FEMA on the line after 9/11.

So, I've argued that with us facing more catastrophic events, either natural or terrorism, that in fact, our 50 year expectation stemming from the Stafford Act, we're going to have to switch it around. And from now on, presidents themselves will have to make a determination about what is going on in the ground and perhaps in fact, do what it took five days for Chertoff to do, designate Katrina and incidents of national significance and in fact, then call in the US military and implement what was in the national response plan.

Now, those were the five days that were the most horrendous. Those were the five days were everybody was stuck in the stadium there and people were dying and people were on their houses trying to get rescued, et cetera.

So, there are sort of two parts to that. And that's probably more than my five minutes, Mr. President, okay.

MR. GALSTON: Six. Don't?

MR. KETTL: I'd say Mr. President, the most important thing about that question is to make sure you ask the right one. And the question of

how to make sure that Katrina doesn't happen again is the wrong question because either in your term or in President Hillary's term or in your brother, Jeb's term, that it's going to be back, but the thing that's going to be important about the next thing that occurs is that we will face something on that scale but it's going to be so completely different from what it is that happened the last time that the worst thing you could do is to look over your shoulder and try to make sure that what you do prevent a recurrence of Katrina because the next thing that happens is not going to look like Katrina.

And so the worst thing you can do is to try figure out how to prevent that from happening because if you do, you'll do exactly what it is that we did after 9/11, to reorganize a system to respond to the wrong next event.

The second thing is that we know that something big is going to happen, but we don't know what it's going to be. It could be a small pox outbreak. It could be a major terrorist attack on American soil. It could be a major terrorist attack outside American soil. It could be a hurricane strike on Florida. It could be an earthquake in California. It could be something that would amount to a gigantic ice storm through a good chunk of the Midwest that knocks out heat and a variety of other kinds of utilities as well. But something big will happen, but understanding it through Katrina's lens is the worst thing you can do.

It's going to happen again, but it's going to happen in a different

form. And so, we have to make sure that we don't look over our shoulders in trying to deal with it.

So, what do we know about how to try to make that stuff happen?

The first thing is the good news. Mr. President, you've been hearing about all the stuff about only the reform of congress is going to make it happen. You know what? Congress doesn't give a damn about this. The good thing is that all they want is when something bad happens, they want the problem solved.

What that means is that – given the fact that the Stafford Act has already been amended, we need some more changes that we can talk about but that you already have the powers that you need to get things done. You can do what you need without having to go to congress for authority on t his. Take advantage of that. Don't think of this as a legislative action. Think about how to try to make things happen.

Next point after this is you know what? There is not a lot of political payoff for you in doing this in advance because nobody is going to applaud you for being prepared, for having everything ready to go, and stocking up the warehouses. What they will do is punish you severely if you fail to respond.

So, you have to understand that there's not a lot of upside risk in the short-run; there's horrendous downside risk if you fail to respond. And that's one of the most important lessons about the managerial implications of this.

You have to understand this, as your advisor Ms. Kamarck had suggested, this is a matter of leveraging networks. This is a complex system out there. As things stand now, the odds are that nobody is going to be in charge. Somebody has got to be charge, not in charge in the traditional sense of issuing commands and orders to everybody, but in charge of having responsibility of getting things done.

We need somebody who is going to go in and bellow out whoever is in charge of getting the C130s or the meals ready to eat or the helicopters or the water or the ice from wherever it is to wherever it is it's going to be needed. We need to have somebody who can stand there and know that they stand for the president at his or back to get things done. And you've got to make sure that happens.

You've got to understand then on top of that that the time to start building the relationships and the networks that need to be done in all this situation cannot start 12 hours after the storm hits, 12 hours after the terrorist strike. What we know about this is that this can be done, but the existing – but the relationships have to be built on preexisting relationships of trust. People have got to know each other. They've got to be able to talk to each other. They've got to know where to find each other, and they've got to trust each other before it happens.

So, you have to make a high imperative for people to go out, build

these relationships, test them, exercise them, and work through them, so that when things happen, when they do it for real, it's not the first time that they've done it.

And one of the things we know about what made the response out of the Pentagon different from what happened at the twin towers is that what happened out of the Pentagon was a miracle of intergovernmental and inter-organizational cooperation. Go read in fact if you want to read something interesting the after action report from Arlington County that shows how all this stuff can happen, and it happened because they figured it out, they trusted each other, and they knew about it in advance.

The last and the most important thing is that what really matters, Mr. President, is you've got to be able to go out there and face the cameras and say we're going to get done what has to be done. You've got to make sure that everybody in your system from top to bottom focuses on results for citizens as the only thing that really matters and the driving of the capacity of these organizations to get the problem solved is the one thing that has to matter.

MR. GALSTON: Well, I wish I had more confidence than I do that discussions like this in fact occurred in the Roosevelt room at any point over the past 18 months.

Well, thanks to both of you for a really superb analysis of the problems that we face.

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706 Duke Street, Suite 100
Alexandria, VA 22314
Phone (703) 519-7180 Fax (703) 519-7190