CHAPTER 2

DEFINING PUBLIC VALUE

On the day he was appointed, the sanitation commissioner drove through the city.[1] Everywhere he saw signs of public and private neglect. Trash barrels left too long at the curb were now overflowing. Back alleys hid huge, overflowing bins that had never made it to the curbs. Emptied bins were ringed by trash spilled during the emptying. In the poorer sections of town, rats scurried among the cans.

Perhaps because he was newly appointed, the commissioner felt his public accountability quite keenly. The city spent a great deal of money each year to sustain the organization's activities. Hundreds of employees earned their pay and made their careers in his organization, and scores of trucks were garaged, maintained, and deployed under his supervision. Most important, millions of people relied on his organization to keep the city clean and healthy.

Happily, as he drove through the city, he saw evidence of his organization at work. Huge trucks, painted in distinctive colors, rumbled by, trailed by sanitation workers who tipped garbage pails into their gaping maws. Street-cleaning machines trundled along the gutters in the wake of the tow trucks that removed illegally parked cars from their path. An occasional street sweeper appeared with broom and dustbin, emptying the cans that had been set out to hold the public's litter.

Still, he could not help thinking that his organization could do more. As the newly appointed commissioner, he wanted to make a difference. He wanted his organization to have an impact on the conditions he could see around him. He wanted to create value for the citizens of the city. But how?

The question seemed particularly urgent because the newly elected mayor had asked him to define and set out his management objectives for the Department of Sanitation. As part of that strategic plan, the mayor wanted to know whether it would be advisable to privatize some or all of the operations of the Department of Sanitation.

THE AIM OF MANAGERIAL WORK

The sanitation commissioner is a manager at work. The question is: At work on what? What is the point of his efforts?

We know the aim of managerial work in the private sector: to make money for the shareholders of the firm.[2] Moreover, we know the ways in which that goal can be achieved: by producing products (including services) that can be sold to customers at prices that earn revenues above the costs of production.[3] And we know how managerial accomplishments can be gauged: through financial measures of profit and loss and changes in the firm's stock price.[4] If private managers can conceive and make products that earn profits, and if the companies they lead can do this continually over time, then a strong presumption is established that the managers have created value.[5]

In the public sector, the overall aim of managerial work seems less clear; what managers need to do to produce value far more ambiguous; and how to measure whether value has been created far more difficult. Yet, to develop a theory of how public managers should behave, one must resolve these basic issues. Without knowing the point of managerial work, we cannot determine whether any particular managerial action is good or bad. Public management is, after all, a normative as well as technical enterprise.

As a starting point, let me propose a simple idea: the aim of managerial work in the public sector is to create *public* value just as the aim of managerial work in the private sector is to create *private* value.

This simple idea is often greeted with indignation—even outrage. A liberal society like ours tends to view government as an "unproductive sector." In this view government cannot create value. At best, it is a necessary evil: a kind of referee that sets out the rules within which a civil society and a market economy can operate successfully, or an institution that fills in some of the gaps in free market capitalism. While such activities may be necessary, they can hardly be viewed as value creating.

Government as a Value-Creating Sector

But this view denies a reality that public managers experience daily. From their perspective it is government, acting through its managers, that shields the country from foreign enemies, keeps the streets safe and clean, educates the children, and insulates citizens from many man-made and natural disasters that have impoverished the lives of previous human generations. To them it seems obvious that government creates value for the society. That is the whole point of their work.

Of course, this account is not entirely satisfactory; it looks only at the benefits of governmental activity, not at the costs. In reality public managers cannot produce the desirable results without using resources that have value in alternative uses. To keep the streets clean; to insulate the disadvantaged from the ravages of poverty, ignorance, and joblessness; even to collect the taxes that society has agreed are owed, public managers must have money to purchase equipment, pay their workers, and provide mandated benefits to clients. The money they use is raised through the coercive power of taxation. That money is lost to other uses—principally, private consumption. That loss must be laid against the putative benefits of public enterprises.

Moreover, to achieve their goals, public managers often use a resource other than money: they use the authority of the state to compel individuals to contribute directly to the achievement of public objectives.[6] Litterers are fined to help keep the cities clean; welfare recipients are sometimes obliged to find work; and every citizen is made to feel the weight of the obligation to pay taxes to help the society achieve its collective goals.[7]

In a society that celebrates private consumption more than the achievement of collective goals, values individual liberty greatly, and sees private entrepreneurship as a far more important engine of social and economic development than governmental effort, the resources required by public managers are only grudgingly surrendered. So, it is not enough to say that public managers create results that are valued; they must be able to show that the results obtained are worth the cost of private consumption and unrestrained liberty forgone in producing the desirable results. Only then can we be sure that some public value has been created.

The Political Marketplace: "We Citizens" as a Collective Consumer

But to whom should such a demonstration be made? And how could anyone know whether the demonstration is convincing?

In the private sector these key questions are answered when individual consumers stake their hard-earned cash on the purchase of a product, and when the price paid exceeds the costs of making what is sold. These facts establish the presumptive value of the enterprise. If individuals do not value the products or service enough to pay for them, they will not buy them; and if they do not buy them, the goods will not be produced.[8]

In the public sector, however, the money used to finance value-creating enterprises is not derived from the individual, voluntary choices of consumers. It comes to public enterprises through the coercive power of taxation. It is precisely that fact that creates a problem in valuing the activities of government (at least from one point of view).[9]

The problem (from this point of view) is that the use of the state's coercive power undermines "consumer sovereignty"—the crucial link between the individual judgments of value on the one hand and control over what is to be produced on the other, which provides the normative justification for private sector enterprises.[10] The coercion blots out the opportunity for individuals to express their individual preferences and to have those preferences control what is to be produced. Because individuals do not choose individually to purchase or contribute to discrete governmental activities, we cannot be sure that they want what the government supplies. And if we cannot be sure that individuals want what the government produces, then, by some reckoning at least, we cannot be sure that the government produces anything of value.

What this account overlooks, however, is that the resources made available to public sector managers *are* made through a process of voluntary choice—namely, the process of representative government. To be sure, *individual,* voluntary choice does not control this system. But the institutions and processes of representative democracy come as close as we now can to creating the conditions under which individuals can voluntarily assemble and decide collectively what they would like to achieve together without sacrificing their individual desires. It is the only way we know how to create a "we" from a collection of free individuals.[11] That "we," in turn, can decide to make common cause, to raise resources, and to organize to achieve its goals—all the activities that go into the policy-making and implementation roles associated with government.

Indeed, it is the explicit recognition of the power of politics to establish normatively compelling collective purposes that makes legislative and political mandates central to traditional conceptions of public administration. Those legislative mandates properly guide public sector production specifically because they define collective aspirations. The collective aspirations, in turn, establish a presumption of public value as

strong as the presumption of private value created by market mechanisms—at least if they can be achieved within the terms of the mandate. So, we should evaluate the efforts of public sector managers not in the economic marketplace of individual consumers but in the political marketplace of citizens and the collective decisions of representative democratic institutions.[12]

Precisely to make such demonstrations the sanitation commissioner prepares a plan to present to the newly elected mayor. In doing so, he tries to satisfy representatives of the public that his organization responds to the public's aspirations. Once he presents the plan, he will be accountable for producing measures to show that the goals and objectives of the plan have, in fact, been achieved.[13]

The claim that public managers can presume that public value is created if they meet the test of the political marketplace is also often greeted by derision. We have all become painfully aware of the folly and corruption that can beset the deliberations and choices of representative democratic institutions.[14]

Practicing public managers, however, have no choice but to trust (at least to some degree) in the normative power of the preferences that emerge from the representative processes. Those choices establish the justification for managerial action in the public sector. Because public managers spend public resources in the enterprises they lead, they must act as though a coherent and normatively compelling "we" existed even if they have their doubts. Otherwise, their enterprises are ill-founded.

DIFFERENT STANDARDS FOR RECKONING PUBLIC VALUE

Reconciling the tension between the desire to have democratic politics determine what is worth producing in the public sector and the recognition that democratic politics is vulnerable to corruption of various kinds has been the persistent challenge to those who would offer a theory of public management in a democracy.[15] Over time, we have relied on different concepts as standards for defining managerial purposes.

Achieving Mandated Objectives Efficiently and Effectively

For most of our recent history, the predominant conception has been that public managers should work to achieve the legislatively mandated goals and objectives of their organizations as efficiently and effectively as they can.[16] Thus, the sanitation commissioner's job is to clean the streets as efficiently and effectively as possible.

It is quite easy to agree with this conception. Yet, reflection reveals an important feature of this common standard that is often overlooked or taken for granted: namely, this standard establishes the preeminence of *political*—primarily legislative—processes in determining what is valuable for the public sector to produce. To those who value politics as a way of creating a collective will, and who see democratic politics as the best answer we have to the problem of reconciling individual and collective interests, it is hardly surprising that the political process would be allowed to determine what is worth producing with public resources.[17] No other procedure is consistent with the principles of democracy.

But to those who distrust the integrity or utility of political processes, the idea that public value would be defined politically is a little hard to stomach. They have seen too much corruption to trust the determination of public value to political processes. At a minimum these critics want assurances that the political process is a principled one that accepts the proper limits of governmental action or meets some minimal standards of fairness and competence in the deliberations that produce the mandates.[18] Alternatively, they would prefer some more objective ways of ascertaining the value of public sector enterprises and some platform for confronting political processes with this objective information.[19]

Politically Neutral Competence

At the turn of the century Woodrow Wilson offered a solution: separate politics from administration and perfect each activity in its own sphere.[20] Thus, public administrators were to imagine that political mandates came to them in the form of coherent, well-defined policies. As the hard-won products of intense political processes, the policies would have all the moral weight that effective democratic politics could give them.

Given this accomplishment of politics, public administrators could then safely turn their attention to finding the most efficient and effective way to achieve the mandated purposes. To meet these responsibilities, the public administrators were assumed to have knowledge about both the substance of the fields in which they were operating and the arts of administration.[21] By knowing what could be produced and how organizations could be made to produce what was desirable public administrators earned their keep.

However, this traditional conception failed to consider what would happen if the political reality fell short of the ideal. Often, political

mandates came loaded down with special interests that were hard to reconcile with the desire to guard the general public interest.[22] Other times, managers received incoherent mandates: they were expected to produce several different things that were inconsistent with one another and were given no useful instructions about which goals and objectives should take precedence over others when conflicts arose.[23] Still other times, political mandates shifted in arbitrary and unpredictable ways, destroying investments and draining momentum that had previously been built up and would be needed again once the political balance was restored to its original position.[24]

Facing this political reality, even Wilsonian public administrators sometimes found it necessary to challenge the wisdom of politically expressed policy mandates. They did so on the basis of their moral obligations to defend the general public interest and preserve the continuity of important public enterprises.[25] In their minds their substantive and administrative expertise gave them the right to stand up to the misguided vagaries of politics. In the pantheon of bureaucratic heroes, the image of a civil servant who challenged badly motivated politicians to defend the long-term public interest stands right alongside the dutiful, responsive servant.

Once revealed, this sort of bureaucratic resistance to political mandates could not stand in a democracy such as ours. Indeed, a favorite target of our populist politics is the bureaucratic mandarin. As a result, much of this bureaucratic resistance went underground. It became a covert but legitimate rationale for bureaucrats of all political stripes to conduct guerrilla warfare against political demands for change on the grounds that the politicians were ill-informed, short-sighted, or badly motivated.

Analytic Techniques for Assessing Public Value

Yet politics, too, is mistrusted in our political culture, and soon a new platform for disciplining and rationalizing democratic politics emerged. This new platform was established on a new kind of expertise. Whereas the traditional theory of public administration acknowledged the substantive and administrative expertise of professionals (developed through professional experience and education), the new formulation held that special analytic techniques, drawn from the fields of economics, statistics, and operations research, could be used objectively to gauge in advance—or to learn after the fact—whether public enterprises were valuable or not.[26] The new techniques included policy analysis, program evaluation, cost-effectiveness analysis, and benefit-cost analysis. Reformers hoped that use of these techniques could infuse policy deliberations with objective facts about the extent to which proposed initiatives could be expected to work and the extent to which the costs of government efforts could be justified by general benefits to society.

There is much to be said about whether these techniques have lived up to their promise—much more than can be said here. From the perspective of someone analyzing their overall impact on policy-making, one can fairly say that the techniques are neither routinely used nor invariably powerful when they are.[27] Still, they have succeeded in changing the political discourse about governmental programs. They have increased the appetite of the political process for fact-based arguments about the extent to which government programs achieve their stated objectives or serve the general interest.[28]

In discussing the utility of these techniques to managers' efforts to define and measure the value of what they are achieving, however, three points seem key. First, for reasons that are not entirely obvious, these techniques seem to be more valuable in estimating the value of particular programs or policies than the overall value of an organization's efforts. One reason, I suspect, is that to deploy these techniques successfully, managers must have narrowly specified objectives and narrowly specified means for achieving the objectives. Specific objectives and specific means are precisely what define governmental policies and programs.

In contrast, an organization is rarely easily conceptualized as a single program or policy. Often, organizations incorporate bundles of programs and policies. The different programs and policies may have been combined to achieve some larger coherent purpose, but the achievement of that larger purpose is often exceedingly difficult to measure and even harder to attribute to the overall operations of any single organization.

It may also be important that, as already mentioned, public organizations have some kind of capital value rooted in their ability to adapt and meet new tasks and challenges. To the extent that they do, an evaluation of their performance in existing tasks and programs would not capture their full benefit to the society. In any case, use of these techniques to evaluate programs and policies has been far more common than their use in assessing the overall value produced by public organizations.

Second, we should distinguish between the use of these techniques to estimate in advance of action whether a particular governmental initiative will prove valuable or not and the use of these techniques after a program has been tried to determine whether it was successful. Policy

analysis often focuses on the first, program evaluation on the second. The distinction is particularly important when one uses comparisons with private sector management to offer guidance to public sector managers about how they could better reckon the value of their enterprises.

As noted above, the private sector seems to have a far more reliable way of measuring the value of its production than the public sector. The revenues and profits earned from selling particular products and services—that is, the famed bottom line—provides a direct measure of a private sector enterprise's success. What is interesting about profitability, however, is that it measures what happened in the past. That piece of information is taken very seriously in the private sector, partly because it can be used to hold managers accountable and give them incentives for performance, but also because it gives private sector managers an advantage in thinking about the future. Indeed, many private sector firms have been advised to reduce their reliance on strategic planning efforts designed to produce more accurate predictions about the future and, instead, to rely on their ability to react quickly to the market conditions they encounter through their current operations.

Thus, the lesson from the private sector seems to be that it is extremely valuable to develop accurate information about performance in the past rather than concentrate all one's efforts on guessing about the future. To the extent this is true, it follows that public sector agencies should be focusing more on program evaluation and less on policy analysis. My impression, however, is that they do the opposite. This is unfortunate, for the inconsistent attention given to program evaluation deprives the public sector of the kind of accountability, incentives for action, and capacity to react quickly that the private sector has gained by paying close attention to its bottom line.

Third, we need to look at what sorts of preferences public enterprises are designed to satisfy. Most often, analytic techniques are presented as though they were all useful tools designed to help government learn whether its efforts are valuable or not. Among them, benefit-cost analysis is usually presented as the superior technique, the one that is most general and most reliably linked to value. The only reason not to rely on benefit-cost analyses is that they are more difficult to complete. Thus, program evaluation and cost-effectiveness analysis are presented as poor second cousins to benefit-cost analysis.

Yet I see an important conceptual distinction among the techniques and would argue that for most public purposes, program evaluation and cost-effectiveness analysis are the conceptually as well as practically superior approaches. Benefit-cost analysis, taking guidance from the principles of welfare economics, assumes that public sector activities should be valued by individuals sizing up the (positive or negative) consequences for them as individuals. In contrast, the techniques of program evaluation and cost-effectiveness analysis find their standard of value not in the way that individuals value the consequences of government policy but instead in terms of how well the program or policy achieves particular objectives set by the government itself. Thus, program evaluation measures how well the program achieves its intended purposes, and those purposes are inferred from the language of the statutes or policies that authorized it. Cost-effectiveness analysis measures how well a particular governmental effort scored with respect to a particular set of purposes that had been defined for that particular effort—probably with the help of professionals who could help government policymakers define what constituted a valuable kind of "effectiveness."

In short, both program evaluation and cost-effectiveness analysis define public value in terms of collectively defined objectives that emerge from a process of collective decision-making, whereas benefit-cost analysis defines value in terms of what individuals desire without reference to any collective decision-making process. The reliance of benefit-cost analysis on pure individual preferences is, of course, what makes it a conceptually superior approach to welfare economists. But to those who believe in the capacity of a political process to establish an articulate collective aspiration, and who believe that this is the most appropriate guide to public action, program evaluation and cost-effectiveness analysis seem the better techniques precisely because they look away from individual preferences and toward collectively established purposes.

Focusing on Customer Service and Client Satisfaction

More recently still, public administrators have developed a new conception of how to gauge the value of their enterprises: borrowing from the private sector, they have embraced the goal of customer service, and committed themselves to finding the value of their efforts in the satisfaction of their "customers."[29] This idea has some important virtues. Insofar as it encourages government managers to think about the quality of the interactions that government agencies have with citizens whom they encounter as clients, and to make those encounters more satisfactory, much good will come of adopting this perspective. We have

all had our fill of rude bureaucrats and badly designed governmental operations and procedures.

Yet, this idea, too, has flaws. It is by no means clear who the customers of a government agency are. One naturally assumes that they are the *clients* of government organizations—the citizens the organization encounters at its "business end" through individual encounters or transactions.

Insofar as government provides services and benefits to citizens, that model seems to work fairly well. But government is not simply a service provider. Often it is in the business of imposing *obligations,* not providing services.[30] This is true for police departments, environmental protection agencies, commissions against discrimination, and tax collectors among others. These organizations meet individual clients not as service providers but as representatives of the state obliging clients to absorb a loss on behalf of the society at large.

Of course, it may be valuable for regulatory and law enforcement organizations to think of the citizens whom they regulate as customers and to design their "obligation encounters" with as much care as "service encounters" now are.[31] Nevertheless, it is unreasonable to imagine that regulatory and enforcement agencies find their justification in the satisfactions of those whom they compel to contribute to public purposes. More likely, the justification comes from the generally attractive consequences for others of imposing particular obligations on a few. Moreover, there may be many others than those obliged who are interested in the justice or fairness with which the obligations are imposed, the fairness they would wish for themselves if they were similarly obliged.

The point is important because it reminds us that service-providing agencies, too, are judged and evaluated by citizens as well as by those who are clients of the organization. Consider welfare departments, for example. In evaluating the performance of the welfare department, we need to know how clients feel about the services they receive. But we cannot rely on their evaluation as the only or even the most important way of judging the value of the services provided. Citizens and their representatives want to be sure that the total cost of the program remains low, that no one steals from the program (even if it costs more to prevent the stealing than would have been lost if the stealing occurred), and even that the clients experience some degree of stigmatization in enrolling in the welfare program (to mark the distinction between those who can be independent and those who must rely on the state).

In short, it is important to distinguish the evaluation that *citizens* and their representatives give to governmental activities from the evaluation that would be given by *clients.* The arrested offender is not in a particularly good position to judge the value of the police department's operations. And the welfare client might not be either. The ultimate consumer of government operations is not the individuals who are served or obliged in individual encounters (the clients of the enterprise) but citizens and their representatives in government who have more general ideas about how a police department should be organized or welfare support delivered. They decide what is worth producing in the public sector, and their values ultimately matter in judging whether a governmental program is valuable or not.

In the end none of the concepts of "politically neutral competence," "policy analysis" and "program evaluation," or "customer service" can finally banish politics from its preeminent place in defining what is valuable to produce in the public sector. Politics remains the final arbiter of public value just as private consumption decisions remain the final arbiter of private value. Public managers can proceed only by finding a way to improve politics and to make it a firmer guide as to what is publicly valuable. That is why political management must be part of our conception of what public managers should do.[32]

To see how these general considerations might affect the perceptions and calculations of public sector managers, let us return to the problem faced by the sanitation commissioner at the beginning of the chapter. How ought he to think about the question of what value he is creating, for whom, and how?

Municipal Sanitation: An Example

The sanitation commissioner has inherited a public enterprise. Assets (in the form of tax dollars, public authority, buildings, trucks, and the cumulative experience of his organization) have been entrusted to him to accomplish more or less well-defined public purposes. It is his responsibility for the deployment of these publicly provided assets that makes him a public manager. At the time he takes office, the assets are not entirely fungible; they are already committed to particular modes of operation determined by the organization's traditions, standard operating procedures, and technologies.[33]

The current operations produce a particular set of consequences. Citizen groups, the media, city councillors, and the mayor cluster around the enterprise, continually offering advice about how the assets should be redeployed—including the recommendation that the resources be returned to private individuals or spent to support private enterprise rather than public bureaucracies.[34]

Partly because the purposes are defined generally rather than specifically, partly because overseers of the enterprise disagree about what should be done, and partly because the managers themselves are viewed as experts in defining and solving the problems that the society faces, the sanitation commissioner has some discretion in both proposing and deciding how the assets should be deployed.[35] His problem, then, is to judge in what particular ways the assets entrusted to him could be redeployed to increase the value of the enterprise for which he is (temporarily) responsible.[36]

The Product of Garbage Collection

At the outset, simple inspection of departmental operations seems to reveal what value is being produced: the department makes the city's houses, streets, and alleyways cleaner than they otherwise would be. But this observation triggers another question: why are such consequences *valuable?* Once this question arises, the analysis departs from observations of physical events and enters the realm of assertion about what citizens do (or perhaps should) value.

Note that this issue would not come up if garbage collection services were sold in the market. Then, the value that citizens attached to clean streets would be manifest in their willingness to buy the service. It is only when tax dollars finance the activity that the manager responsible for deploying this asset must give a general, politically acceptable answer to the question of why the service is valuable. The public financing of the activity breaks the link between individual desires (expressed through an individual's willingness to spend his or her own money) and the product that is delivered. It not only raises doubts about individual citizens' desires for the service (and therefore its value), but also makes it necessary to explain the value of the enterprise in terms that would be satisfactory to the community as a whole (not just to the beneficiaries of the service).

The necessity of giving a general, politically acceptable answer—of acting as though there were a collective consumer with well-defined preferences for social conditions brought about by public enterprises—is the central intellectual problem in defining the value of governmental activities. However difficult the dilemma on a theoretical level, as a practical matter, the political system resolves this issue every day by authorizing public managers to spend public resources.

The authorizations are usually justified by an account—or a story—of the value of the enterprises.[37] To be useful, the account must appeal not just to individuals in their role as clients and beneficiaries of clean streets but, in addition, to the community at large—more precisely, to individuals in their role as citizens of a society and to their representatives in political institutions. Of course, the story does not have to be repeated or sold daily. Once established, tradition will carry it on. But there must be a story to be recalled if the occasion should arise to reconsider or reauthorize the enterprise.

In the case of garbage collection, one account is the claim that clean cities are more aesthetically appealing than dirty ones. Since citizens feel better about clean cities, public value is created by making them cleaner.

Stated so directly, the proposition sounds strange, for it suggests that the government taxes the citizenry to produce cleanliness. Yet, there is nothing particularly compelling about the value of cleanliness. Indeed, it seems a little embarrassing for a liberal society to insist on the virtue of cleanliness and tax its citizens to accomplish that goal. It is tempting, then, to search for a more powerful public value—a better story—than mere cleanliness to establish the value of the enterprise.

A stronger justification is the claim that sanitation departments protect public health. In this conception collecting garbage has value principally as it produces a chain of consequences that protects citizens from epidemics.[38] Keeping organic wastes off the streets reduces the rate at which dangerous bacteria are produced (to say nothing of rats, which are aesthetic negatives and health risks in themselves). This routine in turn reduces the likelihood of an epidemic.

Note that this account introduces a new problem: namely, the empirical issue of whether garbage collection does, in fact, prevent epidemics. The problem—that the value of a public enterprise lies down a long and uncertain causal chain from the point of governmental intervention—is common in public sector enterprises. To the extent that we are uncertain about the causal connection between governmental outputs (picking up garbage) and desired social outcomes (reduced mortality and morbidity), the power of this second account is weakened.[39] But often the importance of the objective will justify the enterprise even in situations where its actual performance is quite uncertain.

The two different frames for viewing garbage collection—producing an aesthetic amenity or guarding the public's health—establish quite different contexts in the public's mind for evaluating both the level and the distribution of the publicly supplied services. In the case of producing an amenity, the public sector activity seems discretionary. There is less urgency about providing the service, and, importantly, less concern about its distribution. In the case of guarding public health, however,

the public effort seems essential. More will be spent to produce the necessary protection because the stakes are much higher. There will also be more concern about the distribution of the services. The argument may well be made that everyone has a "right" to be protected from health threats.

Many of our political decisions revolve around this question of whether a particular thing will be treated as an amenity to be purchased by individuals as they choose or as a right that will be guaranteed by the broader society.[40] That debate embodies a discussion about the extent to which particular conditions in the society will be taken as a matter of public rather than private concern: in effect, a discussion about the boundaries of the public sector. When particular goods and services are established as matters of right and powerfully linked to notions of justice and fairness, the boundary of the public sector is expanded to include the obligation to produce a certain quantity and distribution of those goods and services. When particular goods and services are left as things that society considers valuable but not closely linked to conceptions of justice and fairness, the boundary of the public sector is narrowed.

The Costs of Garbage Collection

The value of clean streets and alleys becomes an issue not only because there are alternative ways of organizing the effort but also because costs are incurred in making them clean: resources that could be used for other purposes are committed to the enterprise of garbage collection. If there were no costs, minimal benefits would be enough to justify the enterprise. Because substantial costs are incurred, the crucial issue becomes whether the value that is produced outweighs the costs of production.

Garbage collection incurs essentially two types of costs. The most obvious is the budgetary cost of providing the service. Money is taken from private consumption to finance public efforts to keep the streets clean. The amount used is reflected in budgets and accounting systems. It varies, depending on how clean the streets are kept and what particular methods are used to keep them clean.

A second cost is somewhat less obvious: public authority is engaged as well as public money. We usually associate the use of governmental authority only with enforcement or regulatory agencies. But garbage collection, too, involves governmental authority. At a minimum, governmental authority is used to raise the tax revenues that finance the service.

It is also used in another important way. Whenever a valuable service is publicly provided, private efforts to purchase or provide the service tend to atrophy. In the case of garbage collection, when government collects the garbage, the citizens will do less on their own. They will stop buying garbage collection from private providers. They might even stop sweeping the sidewalks in front of their stores.

To the extent that private efforts cease, cities will be less clean than if the efforts had continued. A benefit will have been produced—namely, increased leisure or more disposable income for those who were spending their time and money for private garbage collection. But the city will not be as clean. In the extreme, private efforts to keep the city clean could collapse to such a degree that the city would end up even dirtier than before.

To prevent this from happening, the government spends moral authority to create informal or formal obligations on citizens to help keep the cities clean.[41] Informally, the government could sponsor public service programs to establish a social norm favoring responsible cleanliness over thoughtless littering.[42] For example, the Sanitation Department might finance publicity campaigns to discourage littering or arrange to place trash receptacles throughout the city.[43] Such programs aim to facilitate voluntary efforts and eliminate any excuses for "irresponsibility."

A more coercive (and therefore more expensive) effort to sustain private cleanup efforts includes ordinances prohibiting littering and formal requirements that citizens sweep their sidewalks. Backing up these obligations with fines and aggressive enforcement gives them real teeth.

We do not ordinarily think of the use of public authority as coming in degrees: it either obtains or it does not. But, like money, public authority may be used more or less intensively in an enterprise. The degree of authority might be reflected in the size of the burden imposed on citizens, or the magnitude of the punishment for noncompliance, or even the intrusiveness of the measures used to enforce compliance.[44]

It could also be measured by the elaborateness of the procedures required to establish or impose the authority: the more elaborate the required procedures, the more significant the authority engaged. To prohibit littering, or to require citizens to keep their sidewalks clean, for example, would require formal legislative or regulatory action. Typically, such actions require extensive public deliberation. Moreover, implementing the regulations by fining citizens who did not live up to their obligation typically requires formal court action against violators. What happens in these procedures is that individual citizens are persuaded to

part with some of their freedom in the interest of accomplishing a public purpose. Thus, these procedures can be seen as devices for rationing governmental authority to ensure that it is used sparingly and only where appropriate and valuable.[45]

To produce public sector garbage collection, then, two resources are used: money raised through taxation and moral obligation or state authority to sustain private contributions to the solution of a public problem. In a liberal democratic society, both are in short supply. Thus, the benefits of municipal garbage collection must be large enough to outweigh these costs.

Justifications for Public Intervention

As a matter of political philosophy, most members of a liberal society generally prefer to leave the organization of its productive enterprises to markets and private institutions rather than to public mandates and governmental bureaucracies. Consequently, for a public enterprise to be judged worthwhile, it must pass a test beyond the mere demonstration that the value of its products exceeds the value of the resources used in producing the results: it must explain why the enterprise should be public rather than private.[46]

This preference stems from three ideological pillars that define a proper ordering of institutions in a liberal society: first, deep respect for the power of markets to ensure that productive activities respond to individual desires; second, a belief that private institutions are better able to cultivate and exploit individual initiative and are therefore more adaptable and efficient than public bureaucracies; third, confidence that private institutions become an important bulwark of freedom against the power of government.

To a degree, the sanitation commissioner could treat these ideas as mere abstractions that have little to do with the day-to-day running of the organization he leads. Alternatively, he could think of them as important philosophical principles that he endorses and seeks to realize in his organization's operations. Or, he could recognize that, even if these principles are not important to him, they might be important to the citizens and representatives who superintend his enterprise, and that their concerns about these matters should be accommodated.

Indeed, this last perspective would come quite naturally as these ideas gained concrete political force in his city's political processes, or as cities around the country began privatizing their sanitation departments. To satisfy those interested in ensuring proper institutional relations in a liberal society, then, a manager of a public enterprise must show that there is some special reason why government, and its authority, should be used to finance and supply the service.

In general, two different justifications for public intervention carry weight. One is that there is a technical problem in the organization of a market to supply the good in question—some reason why free exchanges among producers and consumers will not result in the proper level of production.[47] Government must intervene to correct the defect in the market.

A second justification is that there is some crucial issue of justice or fairness at stake in the provision of the service—some right or claim of an individual against the society that others agree must be honored.[48] Government must intervene to ensure that the claim is honored—not only for the current individual who has a claim but generally for all.

Note that the first justification leaves undisturbed the primacy of individual preferences as the arbiter of social value. Ideally, both the quantity and the distribution of a particular good will be determined solely by individual preferences.

The second justification, by contrast, substitutes a different standard for establishing social value. A collective judgment is made about the value of the proposed public enterprise. Citizens acting through politics, rather than consumers acting through markets, establish both the level and the distribution of production. It is the combined preferences of citizens for an aggregate social condition that must be satisfied.

These different justifications correspond more or less closely to the two different frames for establishing the value of garbage collection: the production of tidiness and the production of public health. In one frame, public sector garbage collection provides an amenity much like any other consumer good—a tidy urban environment. One thinks principally in terms of technical problems in the organization of markets as the justification for public sector intervention.

In the second frame, public collection produces something more fundamental—the protection of public health. Here one thinks more in terms of guaranteeing a socially valuable condition, fairly distributing its benefits and accepting some social obligation to help meet the required condition.

These distinct frames express the different statuses that the two values—cleanliness and health—have in our politics. Tidiness is an amenity rather than a necessity; therefore, its production and distribution can be comfortably left to markets unless some technical problem makes this impossible. Health makes a claim as a "primary good" with strong

connections to common aspirations; therefore, its production and distribution become an appropriate focus of a society acting through government to assure justice.[49]

Within the frame of efficiently producing and distributing an amenity to those who really value it, public intervention is justified by three specific arguments. First, substantial economies of scale in garbage collection could justify public intervention.[50] This occurs either because the technology of garbage collection shows declining costs across the relevant range of production, or because the value associated with garbage collection is concentrated in the last few increments of performance, when the municipal environment is transformed from a bit untidy to pristine, or from pretty safe to entirely safe.

To take advantage of these economies of scale without leaving the citizens vulnerable to exploitation by a private monopoly, the society has two choices: it can establish a regulatory agency to oversee the natural monopoly that will arise in the private sector, or it can choose to supply the service itself. In the case of garbage collection, the society has often decided to have the government supply the service itself.

Second, although clean streets, fragrant air, and the absence of vermin in alleyways are all things citizens value, they are currently unowned and unpriced.[51] As a result, individual citizens have no incentive to "produce" these goods by disposing of their garbage somewhere other than in the common streets and alleyways.

To deal with this problem, the society might reasonably decide to assert common ownership of these public spaces. Having asserted ownership, it could then either establish a market for the use of these spaces by charging citizens for the privilege of dumping, or, relying on its authority, it can require private citizens to keep these areas clean on pain of both fines and the stigmatization of violating public ordinances.[52] Alternatively, the society might simply decide to supply the service itself through governmental operations and make it unnecessary for citizens to litter. In the case of garbage collection, the society has often relied on a mix of these approaches, with an emphasis on public sector provision.

Third, because the aesthetic and health benefits of collecting garbage are generally available to all citizens of the city, it is hard to exclude citizens from enjoying these benefits even if they refuse to pay for them.[53] Thus all citizens have an incentive to conceal their true interests in having clean streets. If they don't contribute to the cleanup, maybe someone else will, and they can enjoy the benefit without having to do the work. Or, even if they are willing to make the appropriate contribution, they might be reluctant to do so for fear that they would be exploited and thought foolish by their more cynical fellow citizens. In either case the city will end up dirtier than individual citizens would desire because everyone would hang back from making the appropriate contributions. To avoid this result, the society can oblige everyone to make financial and other contributions to the solution of what is, in the end, a common problem.

All these justifications for public intervention begin with the assumption that individual preferences properly establish the value of such efforts but that some technical problems in the organization of markets for the service justify public intervention. As noted above, however, one can consider garbage collection from an entirely different perspective. Instead of viewing the problem as one of organizing efficiently to meet individual desires for clean streets and alleyways, one can see the issue as a case of fairly distributing the benefits and burdens of meeting a public health need that has been recognized by individuals in the society as a collective aspiration and responsibility.

This language, and the analytic frame it invokes, changes a great deal in our view of the public value of garbage collection. Instead of seeing the value of the effort in terms of its impact on the desire of individual consumers for cleanliness and health, the value seems to be established exogenously by a public health imperative. Sanitary streets are a public necessity! Citizens have a right to be protected! Such pronouncements replace—even "trump"—individual preferences in establishing the value of the enterprise.[54]

Often it seems that such statements are exogenously established. They come from outside the ordinary machinery of either markets or politics. A distinguished public health physician establishes the view by warning of an imminent epidemic. Or, an advocate for the poor dramatizes the inequality of the existing distribution of sanitation services through pictures of rat-infested tenements. It is as though some objective reality, or some commonly shared moral aspiration, compels everyone in the society to agree that garbage collection is a public necessity. In effect, these assertions take people out of their mode as individual consumers and ask them to respond as citizens of a community facing a common problem or obliged by a common moral aspiration.

As a practical matter, however, such assertions can never be compelling if they stand alone as mere assertions. To have standing in the community—to have power to establish, sustain, and guide the public enterprise of garbage collection—they must meet a political test. These claims must command the assent of individual citizens and gain the authorization of representative institutions. Only then can such statements really begin to function as substitutes for the expression of individual preferences.

Once a collective assertion has been made about the value of garbage collection, the issue of production and distribution becomes one of fairness in distributing the benefits and allocating the burdens rather than one of efficiency.[55] As noted above, the issue of fairness arises because public authority is engaged. In a liberal democracy authority is collectively owned.[56] As a normative principle, it should never be used in any degree unless a representative body has sanctioned its use.[57] Moreover, it must be deployed generally and for the good of all.[58] These political principles governing the behavior of our governmental institutions are as fundamental to our understanding of our society as the preference for markets and private enterprise.

In the context of garbage collection these principles mean that those who own authority (namely, the citizens and those who represent them) must be satisfied that the public authority is being used well on their behalf. Using authority well means that the enterprise operates fairly (in the sense that similarly situated people are treated alike),[59] and that those subjected to the exertion of authority are able to ascertain that its use is justified in their individual case.[60] Note that fairness is a separate quality of a social enterprise—not necessarily linked to efficiency and not necessarily compensated or replaced by effectiveness. Although an individual transaction can be more or less fair, fairness is also, and perhaps more fundamentally, a feature of the aggregate operations of a public enterprise. Moreover, it is a quality that has value to citizens in their role as citizens authorizing a collective enterprise, rather than as individual clients and beneficiaries enjoying the service for themselves. (It may also be an important part of the experience of those clients who are obliged rather than served and thus an important part of what determines their willingness to comply. Ultimately, fairness may influence the economic efficiency of obliging organizations.)

Viewed from this vantage point, public sector garbage collection is justified by a shared social aspiration for a healthy (and clean) environment and by the necessity of fairly distributing the benefits and burdens of producing that result through a governmental enterprise. Its value registers partly in terms of the satisfactions of individuals who now enjoy clean streets (balanced by the pain of paying taxes and accepting obligations to assist in the garbage collection enterprise), and partly in terms of the satisfactions of citizens who have seen a collective need, fashioned a public response to that need, and thereby participated in the construction of a community (balanced by worries on their part that they have threatened a proper ordering of social institutions by making something public that might more usefully have remained private).

These views are often considered separate and inconsistent. One sees the problem either from the perspective of efficient production and distribution or from the perspective of justice and a fair distribution of burdens and benefits. My view, however, is that public managers must always see public sector enterprises from *both* perspectives. They cannot shrug off the question of efficient production and delivery of a service. Nor can they ignore the question of a fair distribution of privileges and burdens. Once public authority is engaged, issues of fairness are always present. And public authority is *always* engaged when tax dollars are being spent.

The Value of the Authorizing Process

The fact that public authority is always engaged in public sector enterprises changes who must be satisfied with the performance of an enterprise and what characteristics constitute a satisfactory performance. Because authority is engaged, and authority can only be spent by citizens and their representatives, its use must be guided by *political* agreements rather than by individual market transactions. Individual citizens thinking about what is good for the society (rather than just what is good for themselves as clients) must be satisfied with the conduct of the public enterprise as well as the clients who are directly affected by the enterprise; so must those in representative institutions who authorize the enterprise.

Consensus rarely arises in political discussions of the value of public sector enterprises. More often, debate ensues over whether and how the enterprise should be conducted. In an important sense this political dialogue is to public sector enterprises what the market is to private efforts—the place where consumers with money to spend decide what they want to buy. But three differences apply: (1) these consumers are spending their freedom as well as their money by authorizing the government to act on their behalf; (2) they are buying the product for everyone's benefit according to a political view of what is desirable for the society as a whole; and (3) they are buying whole enterprises rather than individual products of the enterprise. In short, what citizens (as opposed to clients) want is their particular conception of a fair and efficient garbage collection effort.

These apparently abstract issues often become quite concrete in the politics surrounding a sanitation department. The most common issue

concerns the proper distribution of the available service across geographic areas, ethnic groups, social classes, and members of political parties.[61] Distribution provokes political debate not only because there are competing interests but also because there are quite different principles which might reasonably be used to decide how to distribute the services.

When one thinks about the distribution of the service in terms of market efficiency or welfare maximization, one is tempted by a principle that directs garbage collection efforts to areas where they will do the most good, that is, where the efforts will produce the largest gains in terms of aesthetics and public health outcomes per unit of effort expended.[62] An alternative concept would be to allocate public services toward those areas that already do a lot privately, partly as an incentive to maintain (or increase) private contributions and partly because the elevated levels of private effort indicate a stronger desire for cleanliness and therefore a more valuable place to spend public cleanup resources.[63]

When one thinks of distributing the benefits of the enterprise in terms of meeting social needs, quite different principles become salient. One is to allocate garbage collection efforts to those areas most in need.[64] This approach will establish a minimum level of cleanliness throughout the city. A second principle, linked closely to fairness, is to supply the same amount of public effort to all areas of the city and let the differences in actual levels of cleanliness reflect differences in private desires and capabilities to keep the areas clean.[65]

In the end none of these principles can stand as the proper basis for allocating services, though at any given moment each will have its advocate. Instead, as a practical matter, the distributional issue is resolved by a continuing political and administrative process that holds these competing principles in tension and adapts to changes in political demands or policy fashion.

Issues of administrative efficiency and program effectiveness are usually debated in terms of effectiveness and costs rather than fairness and justice. Rarely do these concerns arise as a result of reports issued by government agencies revealing shortfalls in performance. Instead, they arise from external sources: some dramatic (but temporary) performance failure such as an inability to clear the streets after an unexpected snowfall; or a newspaper story about corruption, waste, and inefficiency in a sanitation department; or the initiation of a broad effort to increase productivity by an incoming administration; or the initiation of a new project by a new commissioner (for example, a rat extermination program in vacant lots); or the encouragement of block parties to clean up a neighborhood.[66] Such debates about performance will generally be resolved by reports, studies, and the creation of new policies and procedures designed to rectify the problem.

The political debates surrounding the fairness and efficiency of garbage collection are important for at least two reasons. First, they renew the authorization of the enterprise, which maintains the flow of resources that the organization deploys to keep the streets clean. Second, they provide a continuing occasion for the society to reconsider the question of whether the resources committed to the enterprise are being used well. Like the annual meetings with stockholders in the private sector, the irregular but frequent meetings of the sanitation commissioner with public interest groups, the media, and elected representatives of the people give the commissioner an opportunity to account for his enterprise and to use that account to sustain old—and attract new—investment.

This ongoing political process authorizing the garbage collection efforts to continue (perhaps on some new terms) can have many different attributes. It can be more or less open, more or less fair, more or less well-informed about past performance and future opportunities, and more or less reasonable in its decisions. The particular qualities of this authorizing process are important since it is this process that links the enterprise of garbage collection to those who consume the enterprise as an institution of a well-ordered society.[67]

Since the process can satisfy or disappoint citizens who desire a fair, efficient, and effective public sanitation effort, and since their satisfaction is an important part of the success or failure of a public enterprise, one must view that political process as creating a kind of value. If the ongoing process of authorization is managed well, if citizens feel that their common aspirations are satisfied through a process of consultation and review, the enterprise will be more valuable than if they are not. And this aspect of public value exists independently of the difference between the value of cleanliness and the cost of the resources used to produce it.

The Capital Value of the Institution

There is one last thing to observe about garbage collection. Typically an existing organization—generally, a municipal sanitation department—carries out the activity. Over time that organization develops significant expertise in collecting the garbage.[68] It has operating procedures that accomplish the extraordinary task of gathering workers and equipment

from all over a city and sending them out to collect the garbage. It sustains a staff of employees who know where they should go and what they should do to produce this result. It utilizes some accounting systems to show the managers and overseers of the enterprise how much it costs to collect the garbage and how much of the budget has already been spent. And it employs some managers who make sure that everyone in the organization plays his or her assigned role. All this operational capability represents an investment that the society has made in the municipal sanitation department.

Many would say that this cumulative experience and operating capability is an important asset that should be protected, or at least not casually abandoned. Those who express this view see in the competence of public sector organizations a broad, long-term perspective that is useful in balancing the narrow, short-term perspective of political representatives.[69]

To a degree, this view has merit. There *is* value in the cumulative experience of the organization. It would be very costly to have to replace it. And even though much of the productivity gains associated with its accumulating experience have probably been appropriated by its managers in terms of organizational slack that reduces their uncertainty and increases their ability to respond to crises (and by its workers in the form of less pressure in the job), the organization is still likely to be much more productive in its current activities than any alternative.[70]

The problem is that respect for institutional continuity can become an excuse for resisting change. Even something as apparently routine as garbage collection is not static. The world changes. Neighborhoods gain or lose population. Private efforts wax and wane. New technologies for picking up the garbage become available. New problems (such as toxic wastes) make new claims on the organization's sorting and disposal capabilities. New labor contracts change staffing patterns. All these changes affect the basic operations of garbage collection.

In addition, the political demands on the Sanitation Department might change. Perhaps a scandal will force important changes in the geographic allocation of services or the level of supervision. Or, the Sanitation Department might suddenly be directed to become an employer and route of upward mobility for ghetto teenagers rather than simply an agency that picks up the garbage. Alternatively, the sanitation commissioner might see an opportunity to use his force of street cleaners as a device for encouraging the development of block groups that could restore pride and stimulate investment in declining city neighborhoods.

The point is that the organization's value is not necessarily limited to its operating value in its current mission. It also has a kind of capital value rooted in both its ability to adapt its specific methods to new aspects of garbage collection and its ability to produce new things potentially valuable to the society. To the extent that the organization can exploit opportunities to perform its traditional mission more efficiently or more fairly, to the extent that it can adapt to changing circumstances, and to the extent that an organization can exploit its distinctive competence to produce other things that would be valuable to citizens, the enterprise will be more valuable than it seems from observing its current performance. Indeed, it is precisely the *adaptability* of organizations that determines the long-run value of private sector firms.[71] Perhaps the same should be true of public sector firms.[72]

TOWARD A MANAGERIAL VIEW OF PUBLIC VALUE

What does this particular discussion of the public value of garbage collection tell us more generally about how public managers and all the rest of us citizens who rely on them should analyze the value of public sector enterprises? Six points seem key.

First, an axiom: value is rooted in the desires and perceptions of individuals—not necessarily in physical transformations, and not in abstractions called societies. Consequently, public sector managers must satisfy some kinds of desires and operate in accord with some kinds of perceptions.

Second, there are different kinds of desires to be satisfied. Some are for goods and services that can be produced and distributed through markets. These are the focus of private management and need not concern us. Others are for things produced by public organizations and are (more or less imperfect) reflections of the desires that citizens express through the institutions of representative government. Citizens' aspirations, expressed through representative government, are the central concerns of public managers.

At first glance, citizens' aspirations seem to be of two types. One type concerns collective things that are individually desired and consumed but cannot be provided through market mechanisms because the product cannot be divided up and sold to individual consumers. A second type involves political aspirations that attach to aggregate social conditions such as a proper distribution of rights and responsibilities between public and private organizations, a fair distribution of economic opportunities or social obligations, and a suitable desire to economize on the use of tax monies invested in public sector organizations.

In practice, these two different kinds of desires collapse into one for a very important reason: whenever public authority is invoked to solve the technical problems in the market, the enterprise takes on public characteristics. Every time the organization deploys public authority directly to oblige individuals to contribute to the public good, or uses money raised through the coercive power of taxation to pursue a purpose that has been authorized by citizens and representative government, the value of that enterprise must be judged against citizens' expectations for justice and fairness as well as efficiency and effectiveness. Once the public starts producing something with public resources raised through state authority, it can no longer be viewed independently of citizens' political preferences and desires. The capacity of a public enterprise to satisfy these preferences is, therefore, an important part of its value-creating capabilities.

Third, it follows that managers of public sector enterprises can create value (in the sense of satisfying the desires of citizens and clients) through two different activities directed at two different markets. The most obvious way is to deploy the money and authority entrusted to them to produce things of value to particular clients and beneficiaries: they can establish clean parks to be used by families; they can provide treatment to heroin addicts; they can deploy military forces to make individuals secure and confident in the future. We can call this creating value through public sector production, even though what is being produced and valued is not always a physical product or service consumed by individual beneficiaries.

Public managers can also create value by establishing and operating an institution that meets citizens' (and their representatives') desires for properly ordered and productive public institutions. They satisfy these desires when they represent the past and future performance of their organization to citizens and representatives for continued authorization through established mechanisms of accountability. We might think of this activity as helping to define rather than create public value. But this activity also creates value since it satisfies the desires of citizens for a well-ordered society in which fair, efficient, and accountable public enterprises exist. The demands of citizens, rather than of clients or beneficiaries, are being met.

This dual nature of public sector value creation might seem odd. But an approximate analogue exists in the private sector. Private sector managers have two different groups they must satisfy: they must produce a product or service that customers will buy at a price that pays for the costs of production; and they must sell their ongoing capacity to produce valuable products to their shareholders and creditors. A similar situation confronts public managers: they must produce something whose benefits to specific clients outweigh the costs of production; and they must do so in a way that assures citizens and their representatives that something of value has been produced. In short, in both cases, both customers and owners must be satisfied with what the manager does.

Fourth, since governmental activities always engage political authority, the relative importance of these two different parts of management shifts. Because authority is involved, the importance of reassuring the "owners" that their resources are being used well gains relative to satisfying the "clients" or "beneficiaries" of the program. Moreover, it becomes important to give the "productive" side of the enterprise some qualities that are different from the maximum satisfaction of the beneficiaries of the program. The production and distribution of the organization's products must be fair as well as efficient. These operations must economize on the use of authority as well as on the use of money.

Fifth, what citizens and their representatives (as opposed to clients and beneficiaries of programs) "buy" from public managers is an account of the public enterprise—a story contained in a policy. In this sense, a policy is to the public sector manager what a prospectus is to a private entrepreneur. Viewed from the manager's side of this transaction, the manager receives an authorization to use resources to accomplish public purposes through specified means. Viewed from the citizen side of this transaction, the authorization is the purchase of an aggregate enterprise that promises to create value. It is a collective, political agreement to meet a problem (or exploit an opportunity) in a particular way. Politics is the answer that a liberal democratic society has given to the (analytically unresolvable) question of what things should be produced for collective purposes with public resources.

We know, of course, that it is treacherous to view political agreements as accurate reflections of the public will or the public interest. Political decision-making is vulnerable to many different kinds of corruption—the most important being the triumph of special interests over the general.[73] It is also vulnerable to many kinds of irrationalities including shortsightedness, an unwillingness to make painful trade-offs, and an inability to deal appropriately with risk.[74] These well-known difficulties can and do affect the moral claims of political decision-making on the conduct of government in the eyes of both citizens and managers. But

imperfect political agreements entitle citizens and managers to do no more than to challenge their wisdom—not to disregard them or ignore their great moral weight.

If public managers are to create value over the long run, then, an important part of their job consists of strengthening the policies that are sold to their authorizers. Specifically, the policies that guide an organization's activities must reflect the proper interests and concerns of the citizens and their representatives; the story about the value to be produced must be rooted in accurate reasoning and real experience; and the real operating experience of the organization must be available to the political overseers through the development of appropriate accounting systems that measure the performance and costs of the organization's performance. It is here that the analytic techniques of policy analysis, program evaluation, cost-effectiveness analysis, and benefit-cost analysis make their major contributions.[75] Otherwise, the strengths of the political process will not be exploited, the knowledge and experience of the operating managers will not be utilized, and the acknowledged weaknesses of the process will not be challenged.

Sixth, the world in which a public manager operates will change. Citizens' aspirations will change, as will methods for accomplishing old tasks. So might the organization's task environment shift: new problems may crop up to which the organization may propose a useful solution, much as the problem of latchkey children arose as a problem for public libraries to solve. It is not enough, then, that managers simply maintain the continuity of their organizations, or even that the organizations become efficient in current tasks. It is also important that the enterprise be adaptable to new purposes and that it be innovative and experimental.

This, then, is the aim of managerial work in the public sector. Like private sector managers, managers in the public sector must work hard at the task of defining publicly valuable enterprises as well as producing that value. Moreover, they must be prepared to adapt and reposition their organizations in their political and task environments in addition to simply ensuring their continuity.

Unfortunately, this advice is far too general and abstract to be of much use to public managers. It orients them to the overall purpose of managing in the public sector, and to some general problems that must be confronted, but it does not give them particular advice about how to develop a sufficiently concrete definition of public value to guide their own and their organizations' efforts; nor does it tell them how they could engage their political and organizational environments to define and produce public value.

Developing more specific techniques for envisioning public value, mobilizing and learning from politics, and reengineering organizations is the principal aim of the remainder of this book. In Chapter 3, I introduce some real public sector executives who long ago saw and responded to these needs, particularly by using specific techniques for "envisioning public value," and in doing so, set a standard for today's public executives. In subsequent chapters, I describe other managers who can teach us about good (and bad) techniques for engaging the political environment and for guiding their organizations toward improved performance.

CHAPTER 3

ORGANIZATIONAL STRATEGY IN THE PUBLIC SECTOR

Public managers create public value. The problem is that they cannot know for sure what that is.[1] Even if they could be sure today, they would have to doubt tomorrow, for by then the political aspirations and public needs that give point to their efforts might well have changed.[2]

Despite the ambiguity, managers need an account of the value their organizations produce. Each day, their organizations' operations consume public resources. Each day, these operations produce real consequences for society—intended or not. If the managers cannot account for the value of these efforts with both a story and demonstrated accomplishments, then the legitimacy of their enterprise is undermined and, with that, their capacity to lead.[3]

Nor are their responsibilities limited to current operations. Some resources used today will not be valuable until tomorrow. Investments in new equipment, new knowledge, and new human capabilities, for example, are necessitated by the prospect of change and justified by the expectation that they will improve future performance. Even if no *explicit* investments are made, current operations will affect future performance, for today's experiences shape the culture and capabilities of tomorrow's organization. Public managers, then, are obliged to hold a vision of public value, good for today and into the future.

To see this abstract problem in concrete terms, consider the situations confronting William Ruckelshaus, on being appointed administrator of the U.S. Environmental Protection Agency (EPA), and Jerome Miller,