

SETTING THE TERMS OF ACCOUNTABILITY

If public managers are to assume (or to recognize that they already have) the broad responsibilities suggested by Theory S, it is necessary to establish stringent terms of accountability, for Theory S without accountability is a clear danger to the Republic. The crucial question is what sort of accountability is consistent with the spirit of Theory S, and sufficiently exacting that even those who are most cynical about the motivations and capabilities of government officials might feel assured that the officials are doing their jobs well if for no other reason than fear for their own futures. To address this question, it is useful to think somewhat abstractly about the elements of a system of accountability, how accountability is currently managed in the public sector, and how the machinery of accountability might be altered to force public managers to accept the responsibilities and risks as well as the opportunities of shifting to Theory S in our conceptions of public management.

I. The Concept of Accountability

The issue of accountability arises in situations where a principal with purposes and resources entrusts his resources to an agent who is expected to accomplish his goal; for example, where Congress and the President provide money and authority over the behavior of private firms to the Administrator of the Environmental Protection Administration to keep the air and water relatively clean and healthy. The principal may have chosen to rely on the agent

rather than doing it himself because the agent had some specialized competence, or particular knowledge, or simply more time to spend on the project, or some combination of these characteristics. Whatever the reasons, the principals will want to be sure that the agent carries out their purposes reliably - in particular, that the interests of the agent will be kept subordinate to the interests of the principal in the use of resources, and the definition and achievement of the purpose. Consequently, the principals will ordinarily select an agent with a reputation for good performance, and whose representations of what he intends to do suggest a high degree of competence and understanding of the principals' purposes. To a degree, one can understand the process of Presidential selection and Senate confirmation of appointments as an effort to appoint competent agents who can understand, articulate, perhaps even harmonize, the goals of their principals in Congress and the Executive.

Important as they are, mere competence, integrity and protestations of good will by the agent will not ordinarily satisfy the principals. In addition, they want continuing assurances that their purposes are being advanced as efficiently and effectively as possible. Consistent with this ambition, the principals will typically establish some terms governing the agent's performance. Sometimes, these terms will be substantive statements indicating the goal the agent is supposed to achieve, the methods he should or should not use, and the total quantity of resources available to him. For

example, the Administrator of the Environmental Protection Agency may be instructed to prevent the water from becoming contaminated to the point where it becomes a public health threat; to use some combination of effluent standards, enforcement, and subsidies to achieve this goal; and to spend no more than a budgeted amount of money to achieve those purposes.

Other times, the terms will establish obligations on the agent to report on his activities, and to accept certain levels of verification and additional scrutiny by the principals. For example, the EPA Administrator will ordinarily be required to file reports on any new proposed regulations; to record his expenditures so that they can be examined by Congress, the GAO, and the Inspector-General; and to make himself available to Congressional committees and sub-committees that become interested in his activities. Ordinarily, the principals also reserve the right to re-negotiate both the substantive and procedural terms of accountability with the agent if the world changes in important ways, or if their degree of confidence in the agent changes. In general, the more suspicious the principals are of the agent, the more exacting the substantive and procedural terms will be. Thus, an EPA Administrator who has great credibility entering the job, and who does little to cause distrust among his principals may operate with a much broader mandate (i.e., much looser terms of accountability), than an EPA Administrator who is mistrusted at the outset and then behaves in ways that fan that distrust.

There must be limits to the principals' interests in instructing, monitoring, and re-negotiating with the agent, however. After all, at some stage, it becomes easier for the principals to perform the job themselves, or to get a new agent. If they spend so much time thinking about how to do the job to narrow their substantive instructions, commissioning and reviewing reports on the performance of the agent, and renegotiating the terms of their relationship with the agent, then pretty soon the whole enterprise becomes much more trouble than it is worth. This is true even if the persistent "micro-management" leaves the initiative and creativity of the agent unaffected. If, however, the "micro-management" also tends to shift the responsibility for performing from the agent to the principals, and saps the feelings of responsibility, initiative and creativity on the part of the agent, then the disadvantages of very close management of the agent will appear even sooner.

From the perspective of the principals, then, setting terms of accountability for the agent serves important functions. Through the terms of accountability, the principals can give more or less particular, or more or less permanent instructions to the agent about what they want him to do. In addition, they allow the principals to observe, and to investigate at their initiative, whether the agent is doing what they want. And they provide a device for motivating - even requiring - the agent to perform his duties. Taken together, these features give the principals an exceedingly valuable opportunity - the

opportunity to pay attention to something other than the details of the agent's performance. In effect, the terms of accountability should provide the principals with enough assurances that the agent is doing the job well to allow them to avoid doing the job themselves, and to concentrate on other matters.

From the perspective of the agent, the terms of accountability define his responsibilities to his principals; the EPA Administrator knows he must stay within laws established by Congress, and policy guidelines laid down by the President who appointed him. Thus, from one point of view, the terms of accountability impose burdens and challenges on the agent. And it is precisely this aspect of the terms of accountability that appeal to us when we are in the shoes of the principals and imagine that we are dealing with a lazy or unscrupulous agent. But from another point of view, the agent is free to interpret the existing terms of his accountability as the limits of his liabilities to the principals. The terms of accountability tell the agent the minimum that he must do to succeed, as well as the minimum he must do to avoid blame. This aspect of accountability becomes problematic if there are some opportunities that a competent well-motivated agent could exploit for his principals through actions that seem to lie outside the literal terms of his accountability. This could occur if the terms of accountability were silent on an important matter (say, for example, the opportunity to achieve more economic growth and less pollution through the development of new clean-up

technologies that suddenly become technologically feasible), or even if the apparent terms were directly contrary to an attractive action (for example, a negotiated agreement between a polluter and the EPA that resulted in the same amount of environmental protection and more clean-up than could be achieved through insistence on the use of a mandated technology). In this case, the principals might wish that the agent would seize the opportunity even if it seems to be beyond, or even to violate, the literal terms of the agent's accountability. So, the agent might assume that the literal terms of his accountability do not exhaust his responsibilities to his principals; beyond the literal terms of his accountability, the agent may have a general duty to advance the interests of his principals that is more fundamental than the literal terms.

Now, the frequency and degree of tension between an agent's literal duties and his general duties will depend a great deal on the specificity of the terms of his accountability, and the amount of change there is in the world, either with respect to the goals of the principals, or the available means for pursuing them. The more specific the terms of accountability, and the more change there is in the world, the more frequently a tension will arise between the narrow terms of the agent's accountability, and his general responsibilities to advance the interests of the principals. Recognizing this, principals may reasonably set much more general terms of accountability in situations where there are unresolved conflicts, or

new possibilities to be exploited. But there is a cruel paradox here: the more uncertain the situation, the wiser it is to establish general terms of accountability and to rely on the good motivations and knowledge of the agent; but the more uncertain the situation, the greater the temptation for the principals to want to avoid being exploited by the agent by specifying narrow terms of accountability. It is important to understand that this dilemma is not created by a lack of trust in the agent. It is created by uncertainty or conflict over goals and means among principals, and therefore a necessity to repose a higher degree of trust in the agent. But a typical response to this situation among principals is to try to resolve the uncertainty by imposing narrow terms of accountability on the agent. This at least removes the worry that the agent might not do what he was instructed to do. But it also, of course, removes the possibility that the agent might be able to minimize interests or invent new ways of doing things that are better than the principals can now imagine. The only ways out of this situation are to establish quite general terms of accountability, or to understand that the agent's general duty to advance the principals' interests can take precedence over his duty to abide by the literal terms of his accountability. Both require a high degree of trust between principals and agent.

Note that the establishment of general terms of accountability, or an understanding that the narrow terms of accountability should occasionally be subsumed by a more general responsibility to advance

the principals' most general interests leave the principals vulnerable to lazy, incompetent or unscrupulous agents. They can easily hide non-feasance, mis-feasance, and mal-feasance, in the wide terms of their accountability. But another way of looking at this situation is that the general responsibilities make the agents much more vulnerable to the principals because it widens their responsibilities and liabilities. With a properly enforced and widely accepted general responsibility to advance the principals' interests, it would no longer be sufficient for the agent to say that they had fulfilled the narrow terms of their responsibilities. It would be recognized that they had broader responsibilities, and hence greater powers and greater risks. The more undefined vulnerabilities to the principals comes as the price of greater discretion, status and power. So, the acceptance of more general terms of accountability - hence broader responsibilities - requires more trust of agents in the fairness of principals as well as more trust of principals in the motivations and competence of agents.

Thus, in establishing proper terms of accountability the challenge is to find a balance between, on the one hand, the principals' desires to reassure themselves that their purposes are being advanced efficiently and effectively, to motivate and guide their agents in useful directions, and to leave enough discretion to the agent to make useful contributions that could not be specified in advance; and, on the other hand, the desires of the agents for

guidance as to what would constitute success, limitations on their liabilities, and avoidance of excessive interference. In general, there will be no right answer for the proper terms of accountability. Much will depend on the specific areas in which we are trying to establish the terms of accountability. The more change and conflict exists as to the principals' judgements about purposes, the wider the terms of accountability must be. The more uncertainty there is about the best possible means for accomplishing a goal, or the faster the rate of technological innovation in a given area, the wider the terms of accountability should be, and the greater the latitude given to agents in carrying out agreed upon purposes. The greater the degree of trust in the motivations and capabilities of the agent, the broader the terms can be set. If the proper terms of accountability may vary from situation to situation, it is useful to sketch the different dimensions on which these terms might vary.

One characteristic already mentioned is the specificity of the contract. In general, the more detailed the contract in terms of aims, methods, and uses of resources, the less discretion the agent has. This is obviously desirable if the principal knows exactly what he wants, and distrusts the agent. It is less desirable if the principal is more dependent on the agent for his ability to give broad aims concrete existence, or if the principal trusts the agent. And it is almost certainly true that no matter how narrowly the contract is written, the agent will have some degree of irreducible discretion, if

for no other reason than that his conduct is hard to monitor and observe.^N

A second important feature of the contract establishing the terms of accountability between principal and agent is the focus of the contract in terms of stages of production from the granting of fungible resources to the production of final value. Figure 1 offers some examples of these different stages of production for government programs dealing with crime, poverty, and environmental protection. Contracts can be written to hold agents accountable at any of these stages. Some will be written primarily in terms of outcomes: the agent is held accountable for achieving a purpose without much specification as to means. An example would be to hold a Police Commissioner responsible for reducing violent crime. Other contracts are written primarily in terms of outputs: the agent is responsible for producing some tangible products, activities or results which are intermediate to the production of the ultimate purposes. An example might be holding a Police Commissioner responsible for increasing the number of arrests, or responding to calls for service within a certain amount of time. Still others can be drawn in terms of required procedures or technologies: the agent is responsible for using resources according to rules that define the best professional practices - not necessarily for achieving any particular thing whether intermediate or final. For example, a Police Commissioner might be responsible for committing a certain portion of his resources to

random patrol, and for having a modern Communication System as specified by a professional association such as the IACP.

We often confuse these two distinct dimensions of accountability. We often think that narrow specificity is linked to measurement of procedures and outputs, while broad generalities are linked to measurement of outcomes. Logically, this need not be the case. We could use quite vague language to describe technologies (e.g., "best available methods"), and quite detailed language to describe outcomes (e.g., reduce the parts per million of particulate matter in the air from 0.00100 to 0.00025 for 360 days in the year). As a practical matter, however, these two features of accountability are often closely linked. The reason is that resources, activities, and outputs all exist within the boundaries of an organizational unit. Consequently they can all be observed and accounted for more readily than outcomes which are likely to occur some place beyond the boundaries of the organization. It is also true that activities and outputs happen before outcomes, and that managers often have greater control over the conditions that lead to activities and outputs than they do over outcomes. In effect, the route to outcomes includes a great many interacting causal variables that take time to operate, and only some of which are under the control of the manager. To the extent that we wanted a system of accountability for agents that held them accountable only for what they controlled, and that provided prompt information about their performance, then, we would want to

control on procedures, activities and outputs rather than outcomes.

Figure 2 may aid in clarifying these ideas by giving examples of more or less specific terms of accountability established at different stages of production. In general, the narrowest forms of accountability - the ones that give the agents the least scope for their own initiative - are in the top left corner of the figure. The broadest forms of accountability - the ones that give the agents the greatest scope by virtue of the principal's confidence or need - are those at the lower right. For the most part, government tends to establish accountability in specific activity terms rather than general outcome terms which would require greater trust. That is part of the Theory T conception of public management. The private sector seems to operate with specific outcome responsibilities which leave agents with broad discretion as to means, but quite narrow obligations as to accomplishments. At any rate, this figure shows that the concepts of "specificity" and "stage of production" are clearly distinguishable.

A third important characteristic of an accountability relationship is the ways in which performance with respect to the different terms will be monitored. One crucial feature of the monitoring arrangements is whether the monitoring will be before or after operational decisions are made, and if after, how long after. Many systems of accountability require that decisions by the agent be pre-cleared by the principal. This gives the principal a high degree

of control, but slows down the process and saps the initiative of the agent. Other systems look at the agents performance only in retrospect - sometimes long after the events occurred. A second aspect of monitoring concerns the frequency of the reporting. It could be annually or weekly; on a fixed schedule, or at the whim of the principal.^N A third important feature is who will actually monitor the behavior. Ordinarily, the agent is responsible for keeping records and compiling reports that characterize his performance in the agreed upon terms. Typically the principal hires someone to verify these reports. Sometimes the verification is done only in terms of existing records; other times the records are checked against some external reality.^N The verification can also be more or less comprehensive. Sometimes only a sample of records is examined; other times the review is more complete.^N Obviously, the more frequently performance is examined, the more thoroughly the records are checked, and the quicker the appraisal of the acts, the more exacting is the structure of accountability.

A final important feature of accountability is personal liability of the agent: i.e., the character and magnitude of the penalties associated with failures to live up to the substantive and procedural rules of the contract, and the rules that govern when and how they will be applied. To a degree, a formal structure of accountability could, all by itself, influence on the behavior of agents. If the agents were well motivated, or if they were mindful of their future

reputations, then the principals' guidance alone might motivate compliance.^N Ordinarily, however, we assume that structures of accountability require personal liability, punishments and rewards in order to be effective. Thus, fixing accountability on individuals, and making something of value to them contingent on successful performance, is an important aspect of accountability as well as the formal structure through which their performance is observed and monitored. The penalties and rewards can be larger or smaller; more or less frequently applied; and more or less easy for the principal to invoke.

II. Accountability in the Public Sector

Obviously, this is a very abstract characterization of the concept of accountability - one that would be appropriate for describing the relationship between stockholders and financiers of private sector firms vis-a-vis their managers, as well as the relationship between the overseers of public sector enterprises and their managers. But the stark quality of the conception allows us to see where and how problems might arise in structuring accountability in the public sector.

A. Conflicts and Changes Among the Principals

One obvious problem is figuring out who the principals are, and what their aims. As a first approximation, we might assume that the Congress is the principal, and the managers of specific programs authorized by Congress the agents. The implied contract between them

consists, in the first instance, of the statutes under which the agency or program operates. The statutes include both authorizing legislation (which typically emphasizes broad purposes, is written at fairly high levels of abstraction, and survives unchanged for fairly long periods of time), and appropriations bills (which emphasize means, are written at much lower levels of abstraction, and which change annually).^N In addition to these statutes, however, understandings may be established in legislative oversight hearings, or in special congressional investigations which fill out, perhaps even modify, the existing terms of the contract between Congress and the agency.^N

In principle, of course, Congress speaks with one voice to Executive Branch agencies. In practice, however, there is often disagreement within Congress over the goals and means of various programs. Indeed, the current structure of sub-committees now offers many different institutional salients from which dissident elements can advance one particular view against others.^N And the strength of different Congressional voices waxes and wanes over time. So, at any given moment, the mandate under which public agencies operate may depend on whose voice in Congress is the loudest and most recent.

As if this were not trouble enough, our constitutional system creates a second principal in the form of elected political executives and the people they appoint to carry out their policies. These political executives also establish terms of accountability in the

form of policy pronouncements, budgets, and new procedures to be followed.^N While these terms of accountability often overlap with those established by Congress, there are usually enough discrepancies to keep the lines of communication among the political executives and interested Congressional committees quite active, and the lines between the managers and their two principals quite confused.

The courts, too, might be considered principals, but their responsibilities are narrower and their interventions more sporadic than those of Congress and political executives.^N And in the background of many discussions of agency performance is the conventional wisdom of experts who have standing in given areas of policy, and the implied praise and blame meted out in the media. These, too, may sometimes set some of the terms in which public sector managers feel accountable to the public.^N

In sum, in the real world of the public sector, there may be no single principal who establishes and maintains a well defined mandate. Instead, there are several institutions that feel entitled to set policy, and to have the public sector managers be accountable to them and their purposes. Among these principals, there may be a conflict over both means and ends. There may also be conflict over the very terms of accountability - with some interested in broad, infrequent oversight, and others much more interested in the "micro-management" of the agencies. Moreover, the principals may often change their minds about either the substance or form of accountability. So, the

terms of accountability are always changing - becoming more focused on one goal rather than another, becoming broader or narrower, and becoming more or less insistent depending on political vagaries and the coverage of the newspapers. Since accountability for accomplishing large projects depends at least partly on the mandate holding steady, accountability may be weakened by the conflict and change among the principals.

B. The Problem of Measuring Performance

A second major problem for accountability in the public sector is the problem of measuring performance. In the private sector, accountability is established primarily in terms of revenues, costs, and profits. In some respects, the importance of "the bottom line" is over-estimated. At best, the bottom line tells principals only about performance in the past. They do not tell much about the future. And since the future is more important than the past, in the best managed private firms, "bottom line" performance does not exhaust a manager's responsibilities.^N In addition to meeting annual profit objectives, managers may be responsible for making investments in future capacities to perform, or for developing people in their organizations.^N They might even be responsible for meeting certain activity or output objectives independent of revenues.^N Assessment of the value of these activities are as difficult for the private sector as for the public sector because they involve subjective judgments about the future rather than objective measurement. But the private

sector does at least have the luxury of earning revenues, of having them tied to overall levels of output and performance, and of being able to relate those revenues to costs. Moreover, there is a long tradition of accounting that both justifies and equips private sector organizations to measure costs, revenues, and profits easily and accurately.

The public sector, on the other hand, faces more serious difficulties in measuring its performance in terms that satisfy its principals. The central problem is that there is nothing like a revenue paid by customers that measures the private value of public sector production. There are, of course, ultimate purposes of government such as the defense of America, the preservation and production of clean air and water, and the deterrence and rehabilitation of criminal offenders. But exactly how much particular organizations contribute to these broad objectives, and how much achievement of the objectives would be worth to the society, remain obscure despite investments in elaborate techniques to evaluate the outcomes of government programs, and to determine their value. As a result, the public sector has been reduced to measuring outputs or activities of organizations: for example, the combat readiness of military units, the reduction of industrial effluents, or the arrests of offenders. It is as though General Motors had to determine whether it was creating social value (i.e., being profitable) by looking at its costs and counting the number of cars it built rather than by

examining the revenues it earned from selling the cars. Indeed, the public sector has often been forced to retreat even further from the ideal of holding agents accountable for the production of final outcome. They have eschewed measurement of output in favor of measuring whether resources were used properly in specific production processes: for example, whether a military unit was staffed and organized in a particular way; whether a certain kind of pollution control technology had been installed; or whether patrol cars were assigned according to particular spatial configurations. Again, it is as though General Motors had to assess its profitability by examining whether the specified amount of labor and materials were applied to the production of the automobiles they made without worrying too much about the characteristics of the cars, let alone the revenues that the cars earned.

In short, because it is relatively easy to measure how resources are used in the public sector, much harder to measure the quantities and other characteristics of governmental outputs, and vastly more difficult to measure and value the ultimate outcomes of governmental activity, accountability in government tends to focus most heavily on how resources are used. That is what traditional public sector line-item accounting systems measured.^N

C. Weaknesses in Systems of Measurement

Even if the conceptual problems of measuring government performance could be resolved, there would remain an important

practical problem; namely the problem of accumulating a long enough history of measurements to give any particular measurement significant standing. Most systems of measurement gain power as they are used. The accumulation of operating data from the past, and from a wide variety of more or less similar operating units provide powerful benchmarks against which and new data, or any data from a particular operating unit may be assessed. Without these benchmarks, any given observation lacks power. It remains unclear whether the government's performance was unusually good or unusually weak. The ambiguity reduces the power of the measurement.

This is a problem for government because the systems of measurement change often. This is particularly true when the government tries to measure outcomes. Indeed, since outcomes typically occur far from the boundaries of the organization, and are therefore very expensive for the organization to observe, measurements of outcomes are relatively rare. The rarity weakens the overall power of the measurement. Indeed, when PPBS systems were originally installed in government to require the measurement of outcomes across a broad range of the government's activity, those installing and using the systems found that they had to choose between relatively accurate measurements of the outcomes of a few programs, or a much more superficial measurement of the outcomes for the entire set of an agency's activities. There was neither enough money nor enough analytic talent then available to develop information about the

outcomes of all the programs. But with information about the outcomes of only a few programs, it was impossible for public managers to make decisions about the trade-offs from one program to another. Yet it was precisely this sort of decision that the PPBS systems were supposed to facilitate.

The problem is of a different type but no less serious when it comes to the measurement of outputs. For generations, government agencies have produced data on workload, activities and outputs. This is an ordinary part of government budgeting. The problem is not only that these measures do not measure things of ultimate value that would in themselves constitute justifications for continuing a program if they were produced at high enough levels, but also that there are few measures of the quality of the government outputs or activities. It has taken more than a decade to develop a system for measuring error rates in the welfare program, and the current system measures only errors of inclusions not exclusion, and offers little information about how quickly claims were processed, or how inconvenient and intrusive the process of filing a claim was to the clients of the program. Indeed, it is quite striking that Burger King controls the performance of its stores not primarily by reviewing profit performance, but instead by dispatching headquarters personnel to measure 12 distinct attributes of the store's operations (such as time in line, cleanliness of restrooms, and cheerfulness of the staff) unannounced at least 4 times a month! There is nothing that precludes

the government from designing and using such systems of measuring outputs.

Perhaps the most discouraging problem in the public sector, however, is that even the accounting systems for measuring costs are quite weak. This is discouraging because there is absolutely no reason why the government should be less able to record and report on its expenditures than a private sector firm. All the conceptual problems in measuring government performance are concerned with outcomes and outputs, not with expenditures and costs. Yet, government cost accounting systems seem much weaker than those routinely in use in the private sector.

No doubt, one of the reasons that the systems of measurement are so weak is that they are frequently changed by incoming political executives who want to make a significant management change in the operations of the organizations they inherit. To the extent that the systems are weak, and to the extent that accounting and information systems influence the way that organizations think about what is important in their jobs, this impulse to change the systems is quite understandable. The problem is that no incoming executive has to reckon the long run costs of destroying the comparability of the historical data. Indeed, it is often to his advantage to make this change to make it difficult for anyone to compare the performance of the agency under his stewardship with the performance of the agency under his predecessor's reign. For its part, the permanent

organization quickly grows cynical about all but the most stable and pedestrian measures. As a result, measurement loses the power it might otherwise have.

D. Clogged Channels of Authorization

A fourth problem of accountability in the public sector is that it is often difficult for a subordinate official to gain a quick authorization from a higher level official. This occurs simply because it is difficult for higher level officials to delegate to lower level officials. One reason for the difficulty is that the higher level officials often have little knowledge about or confidence in their subordinates, and are therefore reluctant to let them make consequential choices. This problem is exacerbated by the fact that we have all learned that the line between policy and administration is often blurred, and that unexpected press coverage might suddenly elevate a minor issue into a full blown crisis of concern to principals in the Congress and the White House. Since everything might become important, and since higher level officials mistrust lower level officials, an awful lot of business flows to the top levels of the government. Indeed, a colleague from the business school with experience in both private and public sectors once remarked on the fact that in business, top level executives seem to have more leisure than their harried middle managers who are struggling to make sales and production quotas, while in the government, top level managers seem to be running around town

frantically while their mid-level managers wait at their phones to act once the policy is decided. That is the consequence of an inadequate delegation.

If the top levels of the government are always busy, and if the policies are often cast in broad language to accommodate continuing political conflict, and if a conscientious official wants to remain accountable by checking a decision before he makes it with his superior, then the official might wait a long time for his answer. In the meantime, of course, the lower level official is not accountable because the decision is in his superior's hands. Indeed, one way that lower level officials can often avoid accountability is simply by being too accountable - that is, by checking all their decisions with their superiors.

E. Sanctions for Officials

A fifth issue of accountability in the public sector concerns the sanctions to be imposed on public officials if they fail to meet their responsibilities. In the common view, public officials are much less "accountable" than private sector managers because civil service rules - originally established to prevent political patronage - now shield public officials from any sanctions for poor performance in their jobs. Since public managers cannot easily be fired, demoted, or have their salaries trimmed (nor for that matter, be easily promoted or granted raises) there is insufficient accountability in the public sector.

To a degree, the conventional view is accurate. Almost certainly there is less variability in salaries and rates of promotion in public sector bureaucracies than in private sector companies, and therefore smaller economic incentives to be manipulated in the public sector. But variability in economic rewards is only one element of a powerful system of accountability and incentives. The other elements are things we have already mentioned: continuity in the substantive purposes of the relationship, accurate (or at least convincing) measurement of performance, and a continuing personal relationship that gives concrete expression to the continuity in the overall goals and objectives. And it is in these dimensions that the differences between public and private sector operations may be the greatest.

One of the areas of greatest change in the public sector is in leadership. The average tenure of political appointees is less than 2 years. The tenure of Representatives has also shortened considerably. And the turnover of Congressional staff in both the House and the Senate is also very high. This would not be a problem if there was broad consensus about the purposes, and long tradition establishing the means, of different programs. But for many important public programs, this is hardly the case. Instead, there is sharp controversy about purposes, and uncertainty about means. In a world where the policies and programs are not "institutionalized," and where the people who share the authority for setting the purposes are divided among themselves and keep changing, it is very difficult to

establish terms of accountability that feel compelling to public officials.

This point takes on added significance when one recognizes that the public sector has much more of one kind of incentive to distribute than the private sector: that special incentive is notoriety and public reputation. Government officials operate in the "fishbowl." Their actions are discussed in newspapers, radio and T.V. and publicly praised or condemned. They are caricatured as good men making wise decisions and bringing common sense to government; or as corrupt or inept men who find their simple duties well beyond their capacities. Their motives and backgrounds are closely scrutinized and publicly discussed. To those who have never been subjected to this public review, the fuss may not seem anywhere near as powerful as increases or decreases in annual salary. But to those who have experienced the public attention, the satisfaction that comes from being publicly praised as a statesman or leader, and the anxiety created by public condemnation feel every bit as powerful as the financial incentives wielded by organizations. Indeed, it is precisely the desire to gain virtue that often motivates people to serve in the public sector. As a result, praise and blame are likely to mean more to those who decide to work in the public sector than those who stay in the private.

The problem with praise and blame as a mechanism of accountability is not that it is not powerful, and not that there is

insufficient variability in its allocation among officials. The basic problem is the basis on which it is allocated. If shifts in purposes, measurement and leadership create uncertainty in the allocation of economic incentives (and thereby weaken their power as incentives and instruments of accountability), they have an even more devastating impact on the allocation of status incentives. The problem is that from the point of view of the public official, press coverage and notoriety seems capricious. It seems almost impossible to predict when the spotlight will be turned on him, and to guess whether it will reveal a noble civil servant, or a goat. Moreover, it seems almost certain that a good story one place will be followed by a bad story some place else. In short, press coverage seems to follow its own logic that is relatively independent of an official's actual performance.

In general, then, it is not that public officials face no sanctions for their performance. They do face economic sanctions. And even more importantly, they are often exposed to public praise or blame - a sanction that means a great deal to anyone but particularly to those who choose to work in the government. The more fundamental problem is that the relationship between these sanctions and the terms of accountability is not firmly established, and this problem, in turn, is caused more by shifting mandates and leadership than the absence of powerful incentives.

III. Implications for Public Managers

Inevitably, accountability in the public sector has an administrative and a political aspect. In an ideal world, these would work together to define the terms of accountability coherently and consistently, and to mete out rewards and penalties to managers on the basis of their performance. In the current world, neither mechanism of accountability works very well by itself, and the collision of the two makes the situation still worse. An example drawn from recent history with the Job Corps may illustrate the point.

In 1982, the Job Corps had enjoyed a favorable reputation within the political apparatus that superintended its operations for over a decade. The relevant Congressional Committees were happy. Political executives up the line in the Department of Labor found many more pressing problems to worry about. The communities in which the Job Corps centers operated were tolerant. The "professionals" in the area of manpower development thought the concept was good. And there were no scandals to attract media attention.

To a degree, this support (or tolerance) had been built by providing information about the program and its consequences to the authorizing apparatus. At the very beginning of the program, William Kelly had developed a presentation of the program's aspirations, methods, and accomplishments that blended pictures and anecdotes with statistical information about the client population being served. Later, a director of the Program had commissioned a more rigorous evaluation effort to be carried out by an outside consulting firm

which pronounced the program "cost-beneficial." These two overviews of the program seemed to operate like relatively favorable balance sheets would in a private corporation to keep the stockholders and lenders quiescent.

But there was another part of the story as well. The Job Corps Centers had been strategically placed in the communities represented by members of Congress on the relevant authorizing and appropriating committees of Congress. Moreover, the contractors who ran the centers became important political advocates for the centers as well. So there was political muscle as well as a story of accomplishment that supported the credibility and favorable reputation of the program.

Viewed administratively, the Job Corps program had serious problems in accountability. There was a structural problem in that the Job Corps Centers were run on the basis of contracts with governmental and private providers rather than directly by the government. Moreover, the terms of the contracts were rather weakly drawn. They did not hold contractors accountable for outcomes. The measures of outputs required were quite crude (e.g., client/days in the program). And there was little control over the inputs to be utilized, or the specific procedures and technologies to be used in the programs. True, all the contracts specified a "residential job training program," but they tended to be vague on the details of the program. In addition, the procurement system that generated the contracts had important deficiencies when viewed against standard

notions of effective procurement practices. There were too many "sole source" contracts and too many "with-cost extensions" to reassure administrative people in OMB, GAO the Inspectors-General Office that the government was securing the benefits of "competitive bidding." There were even some hints that the managers of the Job Corps program were being treated too well by the contractor, and that conflicts of interest were developing.

The in-coming Reagen Administration at first passed over the Job Corps program and focused their administrative efforts on making the CETA program both smaller and more accountable. Then, a memorandum was produced in the Office of the Assistant Administrator for Administration and Management that complained about "improper contracting procedures and abuses in the Job Corps." The new political executive in charge of the Job Corps reacted by: 1) calling in the Inspector for a full review of the contracting procedures; 2) forcing all contracting actions through a small staff of hand picked officials reporting directly to him; and 3) beginning an investigation of Job Corps Officials. The predictable result of these actions was to stop much of the programmatic activity of the Job Corps cold; to demoralize the officials who were active in the pieces that remained; and to generally cast a pall over the enterprise that limited its ability to produce. Costs continued to be incurred by the federal government, but output fell dramatically. Efforts continued to re-design the procurement system, and to investigate suspect Job

Corps officials.

This story is an instance of the machinery of governmental accountability in practice. The important features seem to me to be these. First, for a decade or so the program enjoys a favorable reputation on the basis of the most general kinds of information about the program. There is very little information about improvements in the relationship between cost and outputs; no new measurements of the quality of outputs; no analysis of the performance of different kinds of programs - things that would be essential to a well run, innovative program. In some sense, then, its good reputation is undeserved - even though it seems to have solved its problem of political accountability.

Second, this good reputation suddenly disappears - not because anyone discovered that the program was failing to produce attractive results at an acceptable price, but instead because of rumors of "contracting improprieties." Obviously, no one wants contracting procedures to be violated for private gain. But the interesting fact is that no-one has to demonstrate the relationship between sloppiness in the contracting procedures and an unattractive relationship between cost and output in the programs. Nor do they have to work hard to establish a link between sloppiness in the procedures and venality in the public officials. The demonstration of sloppiness in the procedures when compared against a technical standard of competitive bidding is enough by itself to shatter the reputation of the program

overall and its managers. This is a good example of holding managers accountable for processes rather than outputs or outcomes.

Third, the reaction of the higher level official increases accountability by imposing a new level of review that simply duplicates the work and review activities of other officials in the organization. These officials are not removed, but instead are left immobilized and idle. The new mechanism is quickly overwhelmed by the volume of contracts, and their own limited knowledge of both the substance of the programs and existing contracting procedures. As a result, output falls, total outlays fall, and the relationship between cost and output deteriorates because one is now managing an expensive overhead structure with no output. This may give the appearance of tough accountability, but in reality the government's ability to produce things of value at low cost in this program has fallen.

Fourth, one might explain all this as a more or less secret effort on the part of the political executive to shrink the program and weaken its standing with Congress so that it can be cut in accord with the administration's desires to reduce total outlays. But this raises the question of the accountability of the political executive: is he accountable to the President and the OMB who might want to soften the program up for cutting; or is he responsible to Congress who wants a strong, well run program? If he is accountable to both, how does he try to harmonize the conflicting interests?

So, we see that accountability in the public sector is a curious

mix of politics and administration. It is also easy to see that important work needs to be done by public managers to strengthen the machinery of accountability in both of these areas. On the administrative side, it is clear that they have to invest much more than we now do in the measurement of costs, outputs, and outcomes, and in thinking about how their administrative arrangements are or are not contributing to long run productivity gains. This is as much the responsibility of program managers as it is the responsibility of Assistant Administrators for Administration and Management, OMB, and Inspectors-General. On the political side, it is clear that managers must give an account of their activities and accomplishments that is accurate and meaningful to their principals. This is often difficult, because the administrative language of costs and performance, short-run and long-run, does not always translate easily into political language which is simpler, and concerns values, passions, and stories rather than complicated facts and numbers. Yet it is precisely this translation that public managers must make. They must be able to move up and down levels of abstraction, and from the past into the future in establishing the terms of their accountability to the authorizing environment. When there are unresolved conflicts in that environment, they may have to take the initiative in helping to resolve or temporarily harmonize the conflict either by forcing a meeting among the principals, or by offering a concept that seems to harmonize the competing interests without becoming useless as a guide to action.

Similarly, they must be able to explain how their administrative arrangements are promoting long run productivity, and successfully resist the temptation to imagine that standard Theory T administration practices are always the best way to promote productivity and insure accountability.

This formulation gives the public manager much greater discretion in setting the terms of this accountability. It says that he might participate in this process as well as simply be subordinate to it. It says that in inventing the terms of accountability, he might have to depart from traditional methods on both the political and the administrative side of his accountability. And above all, it invites the manager to think about what he should be trying to produce, how it might best be produced, and how his performance and methods might be most accurately represented to his principals.

In granting such license to public managers, many might worry that his power vis-a-vis his principals might grow, and with that, an increased ability to advance his interests against the interests of the principals. This is clearly a risk. But what the principals retain and cannot ever give away is their continued willingness to invest in the public official. Moreover, while they may have lost a bit of the initiative in setting the terms of accountability, what they might have gained are two things: 1) terms of accountability that more accurately reflect what they and the public try represent have at stake in the performance of the public official; and 2) an

increased ability to hold public officials accountable for their real performance. For the trade one makes with public officials is that when they become active in setting terms of accountability, they must also be more willing to have those terms tested against public ideas of what is important for them to do, and to accept the consequences of failing to meet their objectives, or having the public's views of what is important change. That is what strategic management in the public sector is all about.