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The Rocky Road to Privatization

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ABSTRACT. Three main types of *privatization* are found in the United States: (1) lower proportion of Gross National Product preempted by the *public sector,* leaving correspondingly more for the *private sector;* (2) transferring present *government enterprises* to private organizations; and (3) *contracting* out the production and delivery of services financed by *public funds.* Most discussions of "contracting out," which come from the "*public choice*" school of economics and public administration, mainly emphasize theoretical economic advantages. They also suppose that the practice can eradicate *political machinations.* In contrast, this evaluation takes into account the practices' intensely political environment. Many of the advantages attributed to contracting out often are not realized. The practice in many cases can save money. But successes are likely to be achieved only with projects meeting certain narrow specifications.

I

The Privatization Movement

"PRIVATIZATION" HAS BEEN GETTING a lot of attention recently, partly because strains on government budgets stimulate searches for ways to reduce the cost and improve the quality of public services, and partly because of the recent national administrations' predilection for the private sector. Some public ad-

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ministration analysts have referred to privatization as "third party government," a revolution in techniques of government and delivery of services.

Thus far, however, the privatization movement has not made serious inroads on public sector employment and production. On the contrary, the numbers of employees in all levels of U.S. government–federal and state and local–were at all time highs as of the end of 1986.

For the purposes of this paper I define privatization as the objective of handing over to the private sector functions that previously have been performed in-house by governments. I first list three main subspecies, and then focus on one of them—contracting out.

My comments are primarily descriptive and analytical, with illustrative anecdotes drawn from personal experience, first as a government administrator, and second, on the other side of the fence as head of a research-consulting organization whose major source of income was contracts with federal-state-local governments in the U.S., and national and local foreign governments.

Basic Concepts—Types of Privatization

The discussion employs the conventional distinction between public and private sectors, recognizing that in real life many organizational formats spill over boundary lines between the two. Three principal subspecies are—

1. *Relative increases in private sector production financed by sales to individual consumers in the market over production of public services financed by taxes or other compulsory levies.* This is one of the main things that President Reagan seems to have in mind when he talks about "getting government off the people's backs" and letting them decide how they should spend their money—taking for granted that, given the choice, they won't opt to spend it on taxes for public services.

2. *Selling or giving government enterprises to private for-profit firms or non-profit organizations.* (By enterprise I mean an organization that is wholly or mostly financed by selling its products to private firms or households, or to other government agencies.) Examples are the Administration's proposals to sell Conrail and the Bonneville electricity producing complex. This form of privatization is much more important in Britain and a number of other countries that have gone in heavily for nationalized industries which are now being sold to private firms or individuals.

3. *"Contracting out"*—hiring private for-profit firms or nonprofit organizations to perform services that might otherwise be provided by government agencies using direct hire employees. It is implicit that contracting is financed by public funds raised by taxation or borrowing. This is the main form of privatization in the U.S., and is the main topic of this paper.

Historically, the private sector in the United States has always performed many services financed by public funds. Familiar examples are ordinary supplies that most governments buy in the market; many professional services; design and construction of roads and buildings; and production of weapons and other equipment for the military, which in the U.S. is the largest government contractor of all. Privatization is merely an extension into new areas of what has been going on all along.

Here I am interested only in public goods and services—defined as those that a government and its constituency, *for whatever reason,* choose to finance by public funds.

Most services can be performed by either government agencies in-house or private sector organizations. The basic function of government, which can't be delegated, is choosing the kinds and amounts of services it will provide, given its financial framework and the resources at its command. Once those decisions are made, the next choice is the means by which the services will be produced and delivered.

This is a fairly new idea—historically, it has been taken for granted that providing certain types of services was an intrinsic function of government organizations. The revered forefathers of public administration devoted much of their attention to improving the organization and management of government service-providing bureaucracies.

Economic Outputs and Political Outputs

Before going further, we should consider the meaning of public goods and services, *i.e.,* the *outputs* that governments produce and deliver to users (beneficiaries). The economists have a narrow definition–outputs are identifiable *goods and services* listed in conventional classifications of government functions–police and fire protection, education, parks and recreation, sewers and sanitary services, roads and streets, and so on, along with the overhead items of administration and financial services. These are the analogs of the goods and services that private firms sell in the market.

But as any elementary student of government knows, people and private organizations want many things from government, for which they will put out effort, political influence and votes, and cash in the form of taxes, political contributions and bribes. They include not only services delivered to users but also the benefits of providing inputs such as jobs and contracts (*i.e.,* contracts awarded as political payoffs) and other "prizes"[1] associated with government.

In the political frame of reference, the distinction between outputs and inputs becomes blurred—inputs (defined in the economic sense) become ends as well as means. For instance, it has been noted that in many cities urban politics traditionally has been most concerned with, not the quality or even the quantity of city services, but how the jobs and contracts are distributed among the main ethnic groups—Italian, Polish, Black, Hispanic, etc. Indeed Robert Wood once observed that the quality of conventional services is seldom an important issue of urban politics, except around election time.

Thus the distinction between economic and political outputs is frequently blurred in discussion of the relative advantages of the private versus the public sector. Generally, the public sector is associated with political outputs and private firms with economic outputs. However, private firms get deeply involved in politics in trying to obtain public contracts, and in the process further obscure the difference between economic and political outputs.

How Explain the Apparent Rising Interest in Contracting Out Aside From Pro-private Ideology?

E. E. Savas, one of the leading advocates of contracting out, rests his case on two main points having to do with allegedly inherent incapacities of government.[2]

The first point is the venerable argument that governments are monopolies, with no incentive to emphasize economy and efficiency, and with no counterpart of the bottom line—the private sector's main index of success—by which to evaluate performance. This line of argument ignores the fact that many of the firms with which government agencies contract, notably the Defense Department, are themselves monopolistic or oligopolistic. Sheer power of size often enables them to beat down government contract managers. Equally if not more important is that they spend freely on political contributions, on occasion outside legal limits.

Savas' second point is that government agencies are inherently incapable of efficient operation because they are entangled in webs of organizational controls—budgeting, personnel, procurement, and so on. And he stresses the familiar list of indictments of public bureaucracies—inflexibility, proneness to entropy, and propensity to develop means of insulating themselves from elected officials and appointed department heads who are supposed to lead and supervise them. But it is seldom mentioned that the same tendencies infect big business bureaucracy.

My own experience does confirm that one of the most frustrating aspects of many large public bureaucracies is the ubiquitous web of controls—ostensibly designed to promote economy and efficiency, minimize the abuses of spoils systems, encourage competitive bidding, and so on—which commonly are so misconceived, badly designed or manipulated that they inhibit effective administration and performance. For one thing they create bottlenecks, and bottlenecks invite petty graft in the form of payments to keep the paper moving.

Poor personnel systems are the most invidious control—freezing employees into positions, discouraging disciplining of incompetent or uncooperative employees, inhibiting recruitment, and ignoring qualities that cannot be easily measured such as leadership ability, integrity and demonstrated past performance.

Such dysfunctions are frequently instigated and perpetuated by pressure of employee organizations. Public employee unions and collective bargaining are a subject in themselves but here I will observe that one of the arguments for contracting out is that it may offer a means of escaping from debilitating civil service restrictions and the more immodest demands of powerful employee unions, with their big muscles. But powerful unions can block such escape hatches by resisting contracting out of work previously done by public employees, and by promoting such devices as the Federal Bacon-Davis Act, along with state legislation requiring payment of union scales for work done on public contracts.

II

Economies of Contracting Out

THE CHIEF EXAMPLES that come to mind are (1) economies of scale, and (2) economies associated with competition. Scale economies can be realized by contracting with suppliers who serve a number of clients (public or private). The contractor may be a private organization or another government jurisdiction. A related set of economies has to do with geographic scale—for example, air pollution control in multijurisdictional urban areas, or flood control in a river valley. Still another involves both functional and geographic scale—examples may be found in mass transportation.

Another aspect of scale is economic and political clout. Large organizations often can bargain more advantageously with suppliers, including other government agencies, private firms, and labor unions. The large organizations in turn can contract to supply services to other government jurisdictions.

Contracting out also enables organizations, public or private, to avoid *diseconomies of scale,* which may arise when an organization becomes too large or complex to be efficiently managed. Many government agencies depend on private contractors to share management functions. The National Aeronautics and Space Administration (NASA) is a prime example—it has relied, and must continue to rely, on a congeries of private firms and nonprofit organizations to provide not only technological inputs and hardware, but to undertake a variety of management decisions that would swamp the NASA staff.

Economies of Competition is the most prominent advantage claimed by proponents of privatization. Before buying the claim, however, it is well to be clear on several points.

1. It may not be necessary to turn to the private sector to get advantages of competition. As Martin Landau has observed,[3] one of the benefits of redundancy is that it stimulates government agencies to compete with each other. (Of course such competition has customarily been decried by public administration experts as "duplication of effort.") Intra-governmental competition may even be encouraged by such devices as education voucher systems, which allow parents to choose the public school in which their children will enroll.
2. Advantages of competition and economies of scale are often not available in the same package, since economies of scale require large-scale operations, which in turn are usually associated with a degree of monopoly.
3. Competition is not synonymous with integrity or honest workmanship. Most of the giant firms that win competitive contracts with the Defense Department have been caught and penalized repeatedly for attempts to chisel in ways that transcend differences of opinion among accountants as to what are honest charges.
4. Once having fed at the public trough, many contractors develop a vested interest in maintaining and expanding the programs with which they are concerned, which they exert by means both fair and, too often, foul. In this respect, privatization offers no advantage, competitive or otherwise, over the public bureaucracies, which are commonly faulted on the ground that their chief objective and criterion of success is getting budget increases.

III

Caution Signs in the Road

Caveat Emptor—Let the Buyer Beware

Problems of specifications and control. Contracting out, properly handled, is at once a skilled and expensive process. It starts with defining needs, writing specifications, and soliciting bids on the specifications.

For routine goods and services, the procedures are fairly well standardized. There have been many improvements in the past two decades. Model specifications, for instance, for various items have been prepared by state and municipal service organizations and several consulting firms. For example, the Educational Facilities Laboratories, Inc. (funded by a Ford Foundation grant to Stanford University) developed in the early 1970s specifications for five basic components of school buildings: basic shells, lighting, partitioning, air conditioning, and flooring, based on extensive surveys of physical requirements of school building plants. The project also redefined the roles of contractors and unions who would be involved in assembling the newly developed components.

The widely-used technique of the request for proposal (RFP) enlists the co-operation of would-be contractors in writing specifications. The client agency states its requirements in broad terms and requires would-be contractors to respond with more precise statements of their understanding of the client's requirements, and specific proposals for meeting the requirements. In the process, the contracting agency can collect ideas from which to choose in drawing up a final contract with the winning contender.

An illuminating report on such problems, as they exist and are handled in the Department of Defense, has recently been issued by a President's Blue Ribbon Commission on Defense Management—the "Packard Commission."[4] Despite the enormous scale and unique characteristics of DoD's contract program, many of the Commission's observations are germane to more modest programs. Its initial conclusion is that as a result of faulty present procedures, many weapons systems cost too much, take too long to develop, and are obsolete technologically by the time they are fielded.

The problem of quality controls of public services exists whether they are produced in-house by government agencies or by private sector organizations under contract.

For products that can be identified, weighed and measured, or tested as to performance in use, tests concentrate on how well the product meets specifications. The problems are mainly administrative—who inspects the product and how well, and procedures for handling inadequate performance.

Where the product is not easily measurable as to quantity or quality, the control apparatus involves monitoring producing processes and inspection of products by skilled personnel, along with investigations of complaints.

In both cases, external controls are vulnerable to friendly relations between personnel of contracting agencies and contractors (this is a perennial problem of defense contracting, where armed forces contract officers and supervisors tend to move to the other side of the military-industrial complex when they retire), political pressure, and outright bribery.

In this respect, contracting out may have no clear advantage over government in-house production; in fact, quality control may be more difficult with private contractors. Competition is not an adequate control—once a large contract involving substantial amounts of work is signed, competition ceases and other control processes take over. Malperforming contractors may be dismissed or dropped from consideration for future contracts, depending on their political clout, but the possibility of such retaliation may be poor consolation for bad performance on an important project.

IV

Contract Controls in Economic Model vs. Political Model Communities

THE "MODELS" ARE ABSTRACTIONS—an expositional device; in real life communities may lean one way or the other, but the differences are in terms of more or less rather than either or.

In economic model communities, citizen interest is mainly in good service (economic outputs) provided at what is considered reasonable cost. The closest real life prototype is a city-manager city, with a population predominantly middle and upper class. This model features a hard-nosed contracts manager (individual or organization) capable of drawing up specifications for the public service concerned, and following through to see that contractors follow specifications and otherwise perform satisfactorily.

In political model communities (the prototype is a large city run by a politically oriented Mayor) provision of inputs—jobs and contracts—are considered valid prizes of governmental control. The general level of citizen satisfaction (as registered by absence of squawks from the public, media complaints and other community noises) becomes a more important servomechanism in the control process, and controls are exerted more through political channels.

In the political community, political connections are an important factor in filling jobs, not only appointive positions and casual labor jobs, but also jobs nominally under the civil service. Contractors are expected to make political contributions to be eligible for contracts. Contributions may take the form of outright bribes and kickbacks, but such open breaches of propriety are a favorite hunting ground of ambitious public prosecutors, and a safer and more popular form is the campaign contribution—outright grants, subscriptions to fund-raising dinners, and so on. Such potlatch may take its toll by raising the costs of contract services, and in inferior performance, though the more cautious operators will try to perform passably.

An offshoot of the political model may be termed the entrenched public bureaucracy model, in which the bureaucracies themselves wield large political power. Not infrequently, public bureaucracies are permeated by petty and not so petty corruption. Inspectors and other bureaucrats often form alliances with contractors and others whom they are supposed to be watching. Or they exact petty tribute from suppliers, building contractors, and others who do business with the government. Such practices are difficult to uproot because the members, the honest along with the dishonest, tend to close ranks to protect their own from prosecution.

Graft

Contracts are probably the most common and lucrative source of corruption in government. The abuse has been only diminished, not eliminated, by public bidding and other formalities designed to improve the integrity of the process.

In January of 1986, both NASA and Mayor Koch of New York City abruptly lost their reputations for good management, though for different reasons. NASA lost its reputation over the revelations of inadequate management practices that culminated in the Challenger disaster, compounded by other revelations of sloppy procurement, accounting and auditing procedures. Mayor Koch lost his when contract scandals erupted on several fronts. Numerous investigations began as federal and city prosecutors, state and city legislatures, and the Internal Revenue Service rushed to get into the act. And this was only the beginning, as investigators began reaching down into the bowels of the bureaucracies. In the first fallout, the Bronx County Democratic Chairman, the Deputy Commissioner of the Traffic Violations Bureau, and a number of other City officials were indicted on felony charges, and the Borough President of Queens (one of the most powerful City politicians and public officials) committed suicide.

All this did the cause of privatization no good whatever. A news story published in a March 1986 issue of *City and State* began:

> Privatization, touted as a cure-all for the ills of patronage and rising government costs, suffered image setbacks this year . . . reports of unfolding investigations, which crop up almost daily in the headlines of newspapers in New York and Chicago, raise questions about how and whether the process of privatization can be insulated from graft and corruption.

New York and Chicago are easy targets because of their size and their long histories of indulgence in the more outrageous forms of political manipulation for private gain. But anyone who believes that they are isolated instances doesn't read the papers very thoroughly.

A quarter of a century ago, widespread contract scandals in the Federal Interstate Highway program were one of the most notorious demonstrations that the public trough can be an attractive alternative to bank robbery. In the 1970s, one of the great illicit bonanzas was in the administration of the federal low- and moderate-income home ownership program. Currently, there are more fields to be investigated than there are investigators—one of the smelliest, figuratively speaking, is private contracting in the waste disposal industry, particularly disposal of toxic wastes. In some areas, contracts are held by mob-run firms which discharge their obligations by dumping toxic waste materials into the nearest convenient ditch in the dark of the moon. The mob is big in waste collection and disposal, at least in my part of the world. It is ironic that such matters escape the attention of fervent privatization advocates—waste disposal being one of their favorite promising examples.

V

Caveat Venditor—Let the Seller Beware

THE GOVERNMENT procurement and contracting process often gets snarled in the same types of controls and limitations that bog down in-house production. Mainly they are instigated by legislatures and administrators to prevent scandals that have already happened. Contractors of competence and integrity, along with taxpayers and presumptive beneficiaries, are the main victims of such pathologies. Here I will illustrate by citing some of the pitfalls that can bedevil a small private, not-for-profit, contractor, the New York Institute of Public Administration.

Reporting-auditing Requirements

IPA was contractor for a USAID sponsored project in Peru to provide technical assistance on various aspects of National Government administrative improvement.

As we were getting under way, we were heckled by an auditor from the Defense Department (which handled more auditing work than anyone else). He had been conditioned by working on the U.S. Steel Company and his main preoccupation was to see that IPA didn't get away with anything; he demanded a set of compliance procedures which might have been suitable for building a battleship, but had little relationship to what we were doing with a team whose numbers varied from four to seven. It took much negotiation in and out of AID to get things somewhat straightened out.

Competing with Political Influence

At the outset of the 60s it was still fairly common practice to award sole source contracts to well-qualified contractors. During the decade, the number of consulting organizations increased exponentially (increases usually peak in the periods following a change of Administration). Requirements for competitive bidding were tightened, affirmative action quotas were instituted, and set asides for small business and minority firms were initiated. With the advent of the Nixon Administration in 1969, contract awards took on more of a political flavor.

IPA did a project for the Environmental Protection Agency involving means of reducing auto-generated pollution in 12 large cities. Our report was well regarded, and we were asked by the Environmental Protection Administration (EPA) program people to do a follow-on project on 12 additional cities. But we didn't get the second contract; it went to an appendage of one of the high-tech firms, which had no track record in the field. IPA and the EPA program people darkly suspected that the fact that the winner had been one of the largest corporate contributors to the Republican presidential campaign was not completely unrelated to the award.

Unsafety in Numbers

Early in the 1970s, USAID indicated that it would award a contract for technical assistance for public administration, and for developing an institute of public administration in Liberia, and IPA, having already worked in several African countries, decided to submit a proposal.

The AID RFP drew some 35 proposals, of which five were retained on a short list comprising two universities, one of the big consulting firms, an affiliate of one of the big high-tech firms (they were going into everything in those days) and IPA. On the strength of its proposal, and the support of the Liberians, IPA won the contract, but it was a long expensive struggle.

Responding to RFP's is costly both to individual competitors and in the aggregate. Costs of a single response would run to $10,000 and up. IPA has engaged in competitions where we estimated that the aggregate cost to the contenders of preparing proposals exceeded the entire value of the contract—a clear case of social costs exceeding benefits.

Elimination by Set Aside

IPA had spent two years, and many thousands of dollars in manhours, working with AID on developing a new approach to manpower training in less developed countries (LDC's), on an understanding with the program people that a project contract would be tilted our way. But when the project was put in motion, the Administration had been under pressure to shunt more contracts to small business, and the AID contracts division (which lived in another tent) decreed that this contract would be reserved for a small business firm. IPA qualified as a small business in every respect but one—we were a *non*profit organization. There was nothing we could do—it went to a business firm with few qualifications other than smallness.

Low Ball Hardball

IPA submitted a proposal to AID that ranked first on content, but with a budget double that of a recently organized rival firm. Our competitor's proposal was considered to meet the broad specifications of the RFP, however, and the competitor won the contract on price. Long before the contractual period was up, they had spent all their money, and AID, to save its own face, had to provide supplementary funds—by the time the project was terminated it had cost AID double the amount of the original IPA bid.

Sniping from Legislatures

In the later 1970s, some of the liberated staff of the Senate Foreign Relations Committee began pushing for Congressional directives requiring AID technical assistance to concentrate on elevating the poorest of the poor. IPA's Liberian project was targeted as a horrible example of failure to move vigorously in this direction, as evidenced by the fact that university graduates, rather than illiterate farmers, were being selected for advanced training in the United States. The real target, of course, was USAID, not IPA, but such was the heat from the swingers on the Foreign Relations Committee staff that AID felt unable to renew our contract.

VI

So Where Do We Stand?

THE ANNUAL AMOUNT of contracting out in government is probably well over $200 billion; Defense Department expenditures alone total approximately $170 billion. There have been a number of studies of contracting out by various sets of governments. A recent typical survey by the California Tax Foundation of California counties, municipalities and local authorities,[5] reports some degree of contracting out by nearly all governments surveyed. Summary data include the following:

1. Functions most commonly contracted include public works; health services; parks and recreation; transportation and ambulance services; museum and cultural activities; leasing, maintenance, and operation, in various combinations, of communications equipment, office and laboratory equipment, and vehicles; architectural, engineering and other services; and miscellaneous other services.
2. Advantages most commonly cited were reduced costs of labor, materials and overhead; and availability of special equipment and skilled personnel.
3. Disadvantages most commonly cited were unreliability of contractors and difficulty of monitoring contracts.
4. Miscellaneous comments:
   - Decisions to contract should be based on efficiency and cost effectiveness, not on ideology.
   - Many government administrators are favorably disposed toward contracting out, but public employee unions and to some extent political leaders are not.
   - Government agencies and administrators unfamiliar with contracting out need special training and skills to administer it successfully.

Over the nation, entire industries of firms specializing in providing various public services have appeared.

A rapidly expanding area in the past two decades has been contracting for management functions of publicly-financed services, where plant and facilities are furnished by the contracting government. Management of publicly-owned mass transit systems and hospitals are prime examples.

Prisons and other correctional facilities are a hot subject at the moment. Contracting for food and other ancilliary services has been going on since the 1970s. Now private firms are beginning to contract for the construction and operation of entire prisons. The first case reported is a contract by the State of Pennsylvania with Buckingham Security Ltd., calling for the design and construction, and thereafter operation, of a maximum security prison.

Private firms are moving into the field of waste water treatment, long a preserve of municipal governments, which received substantial financial assistance from the Federal Government. In some cases private firms are undertaking both the financing, construction and operation of new treatment plants, and in other cases are modernizing and expanding municipal facilitaties originally built with federal assistance.

Another still expanding area is contracting for various innovative social services and health services. One interesting development in the health area has been the institution of so-called peer review organizations (PRO's)—private firms that have received contracts with the federal Health Care Financing Administration to monitor hospital use and quality of care for Medicare patients. A recent article in the *New England Journal of Medicine*[6] reports that there are 54 such organizations, one for each state and each of four U.S. dependencies. Contracts are biennial and range from $226,000 in Guam to $27 million in California. An abstract of the article indicates their purpose and problems:

> PROs promised reductions in readmissions, in 'unnecessary' admissions or invasive procedures, and in "avoidable" mortality and morbidity. A review of contract summaries for 49 PROs revealed wide variations in production targets. In attempting to meet their goals PROs will encounter numerous potential pitfalls, including inaccurate discharge data, inadequate descriptors for the variety of patients and physicians' management plans, honest differences in judgments about patient care, and limited research on the criteria used to set their reduction targets as well as the means to accomplish them.
>
> [Under the circumstances] PROs are more likely to be seen as agents of cost containment than of quality assurance. Both their credibility and their effectiveness might be enhanced if an expert panel of clinicians and health services researchers were established to help them set and achieve reasonable objectives for quality of care.

VII

Summing Up

THERE HAVE BEEN NUMEROUS STUDIES of specific instances of contracting out, with estimates of quantitative savings. Savas (1982) cities a number of them, along with conclusions from his own investigations. Marc Bendic, Jr., provides a more recent and exhaustive list of studies.[7] His conclusions, which accord with my own, are well worth summarizing

> [The evidence indicates that] there are enough documented success stories with privatization that government should seriously examine market based approaches whenever undertaking a major initiative that meets the following qualifications . . ."

- Relatively narrow objectives, readily defined and easily measured,
- Specifiable tasks and familiar production processes, monitorable at modest cost,
- A number of willing and able competing private sector suppliers.
- A competent, honest government to enforce the rules of a fair market.
- "As the mix of objectives in a program shifts toward more complex, long range, holistic and less measureable outcomes and when the state of the art concerning how to achieve those outcomes is still primitive the record of experience is barren of success stories . . . the historical landscape becomes strewn with negative findings, aborted demonstration projects, and unfilled expectations. In seeking to educate or train the disadvantaged, transform ghetto communities or economies, the record of privatization initiatives is not impressive."

In conclusion, there is no question but that contracting out is on a roll, extending its scope and seeking to reach into new areas. The momentum will probably continue unless this form of privatization overreaches itself and compiles an ignominious record of failures. Or the level of exposed corruption so outrages public patience that sentiment begins tilting back toward public performance of public services.

Such possibilities may be averted by improving the quality of contract management. It is significant that many surveys of the experience of state-local governments with contracting out, cite as obstacles the unreliability of contractors and the difficulties of monitoring contract performance. The process of contracting needs improvement, beginning with the training and sophistication of contract officers and monitors, and putting less emphasis on low bids per se and more on contractor quality and dependability, as established by past performance. [Contract awards based on political pull, kickbacks and bribes, and other improprieties of course would not be tolerated in the almost perfect state.]

Notes

1. See Wallace Sayre and Herbert Kaufman, *Governing New York* (New York: Russell Sage Foundation, 1960) for a classification of benefits (their term is "prizes") associated with New York City Government.
2. Savas, *Privatizing the Public Sector: How to Shrink Government* (New York: Chatham House Publishers, 1982); and "An Empirical Study of Competition in Municipal Service Delivery," *Public Administration Review*, Vol. 37. (November-December, 1977).
3. "Redundancy, Rationality, and the Problem of Duplication and Overlap," *Public Administration Review*, Vol. 29, July-August, 1969.
4. *A Formula for Action, A Report to the President on Defense Acquisition*, April 1986. The Commission Chairman was David Packard, a former Secretary of Defense.
5. California Tax Foundation, *Contracting Out Local Government Services in California*, Sacramento, 1981.
6. *New England Journal of Medicine*, October 11, 1985.
7. "Privatization of Public Services: Recent Experience", in Harvey Brooks, Lance Liebman and Corrine S. Schelling, eds., *Public-Private Partnership; New Opportunities for Meeting Social Needs*, published for the American Academy of Arts and Sciences by the Ballinger Publishing Company, 1984.