

Successes and Failures in Government Reform by Murray Comarow

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When Bill Hoyt asked me to make some opening remarks, we thought it might interest you if I discussed government reform efforts in general—the wins and the losses—and fit postal reform into a broader perspective. I'll try to do that.

After my job with the Kappel Commission in 1967-68, I was appointed by President Nixon as executive director of the President's Advisory Council on Executive Organization. We were challenged to analyze the entire executive branch, and to recommend whatever organizational changes we thought best. We made sixteen recommendations. I'll discuss a few of them later.

Another part of my experience derives from various assignments in government and the private sector, and from my role at the National Academy of Public Administration. Chartered by Congress, the Academy is a politically neutral body of elected fellows. On request, or on our own motion, we advise Congress, federal agencies, and occasionally state and local governments. I've been a fellow of the Academy for 32 years. Here's some of what I've learned.

Government reforms or reorganizations often rest on a number of incorrect assumptions. For instance:

- “Abolishing an agency will save money.” President Reagan promised to abolish the Energy and Education Departments. He said that killing the Energy Department alone would save \$250 million. In 1982, a GAO study proved him wrong. I testified, before a Senate Committee intent on abolishing the Commerce Department, that it might save money, or cost more money. The hard part is to figure out where its nine big bureaus go.

- “Performance will be improved by centralizing related functions under one executive.” I call this “reorganization by coagulation.” Two years ago, the Academy warned the Congress to go slow on restructuring our intelligence and anti-terrorist agencies. President Bush had briefly resisted restructuring, and he was right, but caved in to the pressures and anxieties of the day. And so we have the Department of Homeland Security, whose management problems seem out of control, even apart from the Katrina fiasco.

This past July 27, the House Government Reform Committee released a bipartisan report listing 32 DHS wasteful contracts. These two are typical:

- \$104 million to hire airport screeners; ultimate cost \$741 million
- \$508 million for luggage inspection equipment; cost \$1.8 billion

Centralization may or may not be efficient. There must be some assurance that the functions to be grouped not only belong together, but that collectively, they can be well managed. Management capability must be part of a reform plan from the outset, not later. When DHS was announced, old hands at the Academy sadly predicted serious mismanagement and a need for fixes down the line.

In the case of intelligence functions, a super-director needs legal authority to run the show, including who gets the money and who gets hired and fired. He needs top quality, experienced deputies and experts, all in short supply. Should he take them from the CIA or FBI and weaken those agencies? Perhaps the best we could have done would be to establish the 9/11 Commission’s “National Counter-Terrorism Center,” and make sure that analysts are insulated from political or “groupthink” pressures.

Having taken a dubious step in hastily creating DHS, Congress ignored the strong urging of the Academy to reorganize itself so that it could oversee DHS without getting in its way. We recommended a joint Senate-House Committee similar to the old Joint Committee on Atomic Energy, or at most two committees, one in each house. In the eight months since January 2003, DHS officials testified before 800 Congressional hearings and held 2,000 briefings for members or staff. Involved were 88 committees and subcommittees. That is not responsible oversight.

Other bad reasons to reorganize:

- To get control. Nobody really controls a large institution, government, business or nonprofit. Except in extremely narrow cases, the word has disappeared from the management lexicon. Secretary Rumsfeld, in addition to the military services, has jurisdiction over sixteen agencies, two universities, and a college.
- “To shake up the bureaucracy.” This was a favorite mantra of Vice President Gore’s “Reinventing Government” initiative. Clinton virtually abandoned the management part of his job, delegating it to Gore. Gore claimed great achievements; the actual results were dismal.
- We’re not meeting our objectives. If the failure is due to weak leadership, or unmotivated staff, or inadequate resources, organizational reform will only make a bad situation worse. Reorganization should take place only when the underlying reason for failure is structural misalignment. Warning: even the soundest restructuring will result in a temporary loss of effectiveness.

Many government reforms flow from reports of presidential or congressional commissions. I urged the appointment of a postal reform commission for over ten years, before one was appointed in December 2002. You may be surprised when I say that I don’t much favor commissions. Normative legislative processes are best for a democratic society. Moreover, most commissions fail, some by design. We should turn to commissions only when we are convinced that our political system will not cope.

When I began to press for a commission to deal with postal reform, I did so on the basis of a simple calculus: If the Postal Service did not change its “business model,” as the Comptroller General called it, it would likely collapse. If a presidential commission could study the situation, its recommendations might lead Congress to sound reform. A fighting chance is better than no chance.

I have found it necessary, in my previous incarnations, to study commissions back to the Roosevelt administration. A commission, to be effective, should be built on six principles:

1. It should be composed of objective, highly respected people without ties to the affected groups.
2. Its mandate should require full consideration of all relevant social, economic and political issues.
3. It should have a fair degree of non-partisan support from the President and key members of Congress, and attention from the media.
4. Commission members should actively seek to secure approval of their recommendations from the decision-makers.
5. It should be supported by a highly qualified professional staff and by outside services as needed. The notion that a handful of wise individuals can brainstorm their way to a solution is illusory.
6. It will usually need at least a year for thoughtful study.

One more absolutely essential guideline: They must understand that they are not bound by any notion of what may be politically achievable. Their organizing principle should be to find the best way for an organization to achieve its purpose.

Let's take a quick tour of some of the nation's commissions.

President Roosevelt was obsessed with reorganizing government to give him better overall management, as distinguished from the usual goals of economy and efficiency. He created the Committee on Administrative Management under Louis Brownlow, whose report framed FDR's organizational strategy and still resonates in the field of public administration.

In 1947, President Truman persuaded former President Hoover to head a commission, we'll call it Hoover I, that shaped Truman's reforms. The report, built on the Brownlow recommendations, produced fourteen government reform plans that gave department heads management authority. Of its 273 specific

recommendations, 116 were fully adopted and 80 partially adopted, a superb record. Congress disapproved a few involving the Treasury, ICC, FTC, and FCC. But its real accomplishment was organizational: They got Congress to reduce sixty-five agencies that directly reported to the president to twenty-two. Those agencies had 1,800 bureaus. In 1953, President Eisenhower established Hoover II to eliminate government programs that competed with industry. It stepped on too many politicians' toes and was a flop.

I will only mention the brief but valuable reports of the 1967 Heineman Commission and the 1968 Lindsay Task Force. These led to President Nixon's Advisory Council on Executive Organization, which I mentioned earlier. I was Executive Director of that group, which made sixteen recommendations to the President, some of which were enacted into law. For instance, we redesigned the Executive Office of the President, both the White House and the Bureau of the Budget. The latter became the Office of Management and Budget. We recommended an Environmental Protection Administration that came to be, much to the astonishment of the scoffing pundits. We said that the Atomic Energy Commission should be transformed into a safety agency, and its promotional mission transferred. These were all enacted. On the other hand, Congress rejected our recommendation to transform the ICC, CAB, FMC, and FTC, all multi-headed regulatory agencies, into single-administrator forms.

In 1995, there came into being the National Commission on Restructuring the Internal Revenue Service. Its recommendations were largely enacted into law in 1998. Co-chaired by Senator Bob Kerry (D-NE) and Congressman Rob Portman (R-OH), its seventeen members included every kind of stakeholder: Four members of Congress, three federal officials, a state official, two members of anti-tax groups, the president of the Treasury's employees' union, and accountants and lawyers who practiced before the IRS. The result was not a failure; it was a disaster, and honest taxpayers are paying the bill to this day.

The report was based on anecdotal evidence of employee misbehavior, accepted as gospel. The GAO later reported that it could not find any evidence to support the allegations. Pretty gutsy—after all, they work for Congress.

The Washington Post and New York Times were caught asleep, but when they woke up, they realized that the “reform” radically changed the IRS incentive system: “Be nice to taxpayers, treat them like customers.” Audits of large

corporations came down 40 percent. Seizures of delinquent taxpayers' property down 98 percent. Even for taxpayers earning more than \$100,000 a year, the audit rate dropped to 0.8 percent. Six weeks ago, on August first, the New York Times reported that "cheating now equals about 7 cents out of each dollar paid by honest taxpayers, as much as \$70 billion a year."

Here's a commission you may never have heard of, The Internet Commission on Electronic Commerce. It consisted of business executives who didn't want to be taxed on goods sold on the internet, and state, local and federal officials who wanted to tax those goods. It dissolved without consensus on March 21, 2000. Its report was signed only by the business commissioners. What were they thinking?

There have been other commissions, Social Security and military base closures, for example. Each is an interesting story, but enough perspective for the moment.

I turn now to the postal commissions. The Kappel Commission included six heads of great corporations such as AT&T and GE, the dean of the Harvard Business School, the president of the AFL-CIO, the founder of a prestigious law firm, and the number two Ford Foundation executive. Its report was unanimous.

Next was the 1976 Commission on the Postal Service. Created by Congress, it had seven Commissioners plus, ex officio, the Postmaster General and Chairman of the Postal Rate Commission. Two represented the largest postal unions. One was chairman of the Readers Digest Association. Others also had close ties to postal matters. It was doomed from day one.

Of the seven commissioners, three dissented from its 1977 report. Those three, joined by a fourth, added "additional views." The fifth and sixth commissioners each wrote separate "additional views." The scrambled report therefore lacked moral authority and political impact. Most long-time members of the postal community are not even aware of its existence. I testified before that commission, although I was convinced that its makeup was a reliable predictor of failure.

The third postal commission was established by President Bush in December 2002. Its nine members included seven business executives, a university president,

and a correction officers' union official who said at one hearing that his role was to protect labor. That was not his role, of course, and his gaffe was simply overlooked.

Let's compare the three commissions. The Kappel Commission was given a free hand to recommend as it saw fit. I recruited twelve first rate professionals and a good support staff. We also contracted with top consultants such as Arthur D. Little, Robert R. Nathan Associates, and Foster Associates. Each commissioner designated a senior person in his organization I could call upon for research and such.

The commissioners took over a year to produce a hard-hitting report that cleared the way for a self-supporting government corporation, free of patronage. Yet despite its prestige, and to our chagrin, Congress introduced a Postal Rate Commission and a binding wage arbitrator. Win some, lose some.

The 1976 postal commission must have been created as a sop to political forces. It was an exercise in futility, similar to the Internet Commission I referred to earlier. I knew some of its members, good smart people, and I still don't know why they embarked on a hopeless mission.

President Bush's 2003 commission members were mostly savvy business types. While not of the stature of the Kappel group, they produced a fairly decent report. It could have been much better. There are two main reasons for its shortcomings. First, Bush was pressured into creating the commission. In my opinion, that's why it was given an absurd six-months deadline. That's why it was authorized about five staffers to start. They had a fine executive director, and worked unreasonable hours, but it was not enough. I can't prove that the political side of the White House crafted these handicaps, but I'm entitled to my suspicions.

More important than the staff and deadline factors, the commissioners fell into a trap of their own devising. They decided not to take on the core rate-setting and wage-setting issues because they believed that changes were politically unattainable. As one top GAO official said to me, "They caved."

In summary, create a commission only when the normative political process breaks down. Design it in conformance with the previously mentioned principles validated by experience with many earlier commissions.

Don't bet your farm or your first-born child that even the best report will find its way into law. But the baseball analogy works for me: If you don't step up to the plate, you can't get a hit. If you do step up, and you're good, you may get a hit three out of ten at bats. Which is better?