

Commonwealth Forum Transcript

The Challenge of Change: The Future of Government Reform

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Introduction:

Dr. Elaine C. Kamarck, Lecturer, JFK School of Government & Former Senior Policy Advisor to Vice-President, Al Gore In charge of the reinventing government initiative

Moderator:

Tripp Jones, Executive Director, MassINC

Panelists:

Stephen Crosby, Massachusetts Secretary for Administration & Finance

Patricia McGovern, Vice-President for External Relations, CareGroup Healthcare System & Former Chair, Mass. Senate Ways & Means Committee

Harry Spence, Consultant & Former Deputy Chancellor for Operations, NYC Schools

Bob Melia, Vice-President, Maximus, Inc.

Dr. Elaine Kamark: Good morning and thank you very much. Thank you for coming up to talk about a topic that in the political campaign last year I could never get anybody to talk about, which was reinventing government. It is one of those topics that is so incredibly boring on the one hand because it is really the nitty gritty business of the state. It is civil service reform. It is dealing with procurement issues. It is really the kind of machinery of how any government works and yet doing it well is politically important to American democracy.

Between 1964 and 1994 when you asked Americans do you trust the federal government to do what is right, the numbers saying yes dropped from 65% in 1964 to 17% in 1994. When we started reinventing government initiatives in the Clinton White House we were facing a massive, massive loss of trust in the federal government. These numbers were echoed at state and local governments although they were not as bad in fact. The trend line was the same but they were not as bad for state and local governments. But every government was facing the following phenomenon which is people literally thought they couldn't do anything right. President Clinton used to tell a story when he was out selling his healthcare plan of a lady who came up to him on a rope line and grabbed his hand and said 'please, please Mr. President don't let the government mess up my Medicare' [laughter] and he concluded from that, that of course most Americans thought that the government couldn't run a two-car funeral and it was a problem he dealt with all of the time. It is what made us battle one bureaucracy after another and one set of entrenched interests after another to try and get the federal government, in our case, to respond to citizens; to treat citizens with respect; to do simple things like open their offices on Saturdays; just sort of no brainers for the private sector but things which government was having a very hard time doing.

During the 90s the number of people who had more faith in government actually inched up so that when we left the White House, the number of people had gone from 17%, who said that they trusted the government, to about 40%. So there has actually been kind of a movement away from the very, very negative attitudes towards government and of course balancing the budget. Bringing the government into surplus all helped with these perceptions. The other thing that was happening through the 90s, and has been happening until literally a month ago was, however, that because of these negative attitudes towards government, government was having a very hard time recruiting and this was affecting federal, state and local government.

I am going to give you two examples I know from the federal government. Pilots in the military used to stay an average of 11 years. They were getting out, in recent years, after six years, which is assuming they can get out because once the government trains you, they keep you there for a while. So in the air force, the navy, and the army, we were losing pilots in great numbers. When you looked at the State Department, 40% of the positions at the State Department that required proficiency in a foreign language were filled by people who didn't have proficiency in a foreign language. So imagine what that does to our ability to conduct foreign policy and of course to our ability to understand what is really going on in cultures that are very different from ours. So we were facing a huge brain drain, if you would, in government and the possibility that at the federal level in the next five years, 50% of the federal workforce was eligible for retirement and we didn't know where the retirement was coming from. So we faced a bad situation on the part of the public, although gradually better, and leading to a bad situation in terms of government recruitment; all of which required that we continue to spend time on reinventing government and trying to make the government a place that the citizens could trust and people would want to go work for.

Then September 11th happened and it is kind of one of these amazing things. The numbers for trust in government shot up to almost 60% for the first time in 40 years basically, since the 1960s and if you have been following this like some of us have had to because we teach this every day, the number of people applying for positions in government has gone through the roof so that before September 11th, the State Department, the CIA, the military, everyone was having a heck of time finding people and suddenly they have more applications than they know what to do with. So there has suddenly been a resurgence of interest in and faith in government. Now there is an irony in this because the irony is that we probably are looking now at one of the bigger failures the government has had in a long time, massive intelligence failure as a prevention failure. We are looking at a government failure. We don't talk about it very much now because, in fact, the government itself needs to be focused on the ongoing crisis, but when the dust settles, so to speak, and in New York I can tell you because I live there part of every week, there is plenty of dust still, when those [crop dusters] fly again, when the Times stops running the list of the people killed in the World Trade Center, when we begin to get back to life as normal as if we ever do, we will then face, on the federal level, at least a need for a mammoth reorganization of the government, something going far beyond what we envisioned in reinventing government even though we did certainly see the warning signs in reinventing government that something much bigger than we could do then needed to be done.

This re-invention that I think we will need to do sometime in the next three to four years will affect state government in a profound way because it will change all of the

relationships from the federal government and that will change the relationships with state government and let me just talk about three areas where I think we will see profound changes. If you look at the area of homeland defense, you can break homeland defense into a prevention phase and a reaction phase. The reaction phase involves intense participation by state and local governments and while no one is criticizing the reaction of state and local government because in New York and at the Pentagon it was a fact [impacted] good in a timely reaction. The fact of the matter is, as we have begun to see as the anthrax story unfolds, is really, really large-scale catastrophic terrorism involving bio-terrorism, we are not prepared to do, and we have to understand that if we are going to get prepared to do it. So on the reaction side, the federal government led by FEMA, the Federal Emergency Management Agency, needs to take a pro-active role with every state and local government and increase our capacity to respond to crisis, particularly the kinds of crises that we think we are going to find in the next couple of years. There the story is a good story. There is a very good federal agency to lead the effort. The effort has been, to some extent, anticipated, but the capacity hasn't been built and I am hoping that we would build that capacity in the next couple of years and certainly build it before we have another catastrophic terrorism act.

The other sides are a little bit more difficult. The other side is really prevention and prevention requires the kinds of reorganizations that rip the guts out of Washington, D.C., the kinds of reorganizations that make people miserable, okay, and that drive the bureaucracy nuts. Start with the intelligence failures. Yesterday the Attorney General said "I am trying to understand that we need to be about prevention." That is different than being about prosecution. When you are about prosecution, you let the bad people kind of sit there for a while hoping they will lead you to other bad people and you can eventually make a really good case. When you are thinking prevention, you don't really care about the case. You want them off the street. It is a very different way of operating for the FBI. Similarly the CIA is very loath to give up its information. It is very loath to let go of its sources. It is very loath to share information. They didn't share information with the INS until it was too late. They didn't share information with the FAA ever, okay? So the CIA has to similarly start switching its mind set from a sources mind set to a prevention mind set. This is going to be a very difficult job for both of those agencies and finally we will have to get serious about protection at the border. Homeland defense will not occur in the White House. It will not occur with a coordinating counsel or with a coordinator of homeland. I know that first hand I watch the [Druzar] try to coordinate. They don't do it. They don't have any assets. They are only as good as their persuasive abilities and their closeness to the President and you think when you are outside of Washington that the President is really powerful. When you are inside of Washington and you are in the White House everyday, you realize that the President is just one person. There is great big machinery that does not always do what the President wants done. If we are going to get serious about our borders, we need to completely reinvent the INS, the border patrol, customs, the FAA and our VISA Counselor offices overseas which let many of these people into the country and vote for visas to let these people in. That is going to be a huge undertaking and that is the sort of thing which was inconceivable prior to the September 11th attack, although I will say that there are people like Senator Gary Hart and Senator Warren Rudman who understood that this had to happen and wrote this precise plan before September 11th but it was very clear that the political role was simply never there to do it.

So as we turn to the question of reinventing government and as we turn to the question of what needs to be done on the state level, let me leave you with the following. In spite

of the fact that one of the motivating factors for reinventing government, which is the absence of trust in government, seems to have temporarily disappeared because of the September 11th attack, the fact remains that the need for reinventing government is only made more stark by the September 11th attack because what they pointed out was that essentially we have a government at the federal level that is constructed for a cold war and constructed around cold war threats and we clearly don't have cold war threats any more. We have a brand new kind of threat. So we need to, in fact, keep this movement going at even a higher level and a more intense level and that intensity will shape everything that every other government does in the United States including the state and the local governance. I wish that in fact we hadn't come to that this way. I would much rather, in fact, be here still pushing against the big bureaucracies. I would much rather be still worried about the lack of faith in government. But we are here and I think it is imperative that we keep this movement for government reform going with even more intensity than we have before these things happened on September 11th.

So with that I am going to turn it over to the rest of the panelists and thank you.
[Applause]

Tripp Jones: Our goal this morning is pretty simple. We want to look forward. We have some people who can help us to look back and to put where we are today in some context but we want to be looking at where are we today and where are we going and I hope that when people leave here this morning they will have a list of issues that you have decided are important, that need attention and some sense of what we are trying to do to address those issues and some of the hurdles that are getting in the way. And so I think that at this point what I want to do is to get our panel engaged. Why did certain things happen here and other things not happen there and so with that I want to turn first to Bob Melia. Everyone of our panelists have been introduced so I won't go back to who they are but, Bob, I would love to hear you start and then Harry talk a little bit about your experiences and your perspective and then we are going to talk to our political leaders and get their perspective. Thank you, Bob Melia.

Bob Melia: Thanks, Tripp. There have been some successes, really remarkable almost spectacular successes in reinventing government but they have been isolated. When you set those successes against the fact that we have got, when you talk about county governments, municipal governments, school boards, over 80,000 governments in this country and well over 100,000 government agencies. The successes don't mean much more than really proof of concept but we have really only sort of scratched the surface when it comes to trying to transform government and I think it is perfectly evident. I don't think there is anybody here in this room who would think that over the past ten years their relationship with their government has been transformed in any meaningful way.

Now I have a list of ten principles. Trip told me I had six minutes so I have boiled them down to four. [Laughter] If you want to reinvent government and you want to make some dramatic change you really need to do four things. You have to have very clear goals, usually very narrowly focused goals. You need data and a measurement system to see if you are getting closer to those goals. You need the flexibility to change your methods when what you are trying doesn't work and you need accountability to [write] the bureaucracy and to write your partners in the non-profit and sometimes profit-making sectors and if you look at different sectors of government agencies and you sort of see where they are on the spectrum of those four things, it is kind of easy to see why we

have made more progress in some areas and almost no progress in other areas. If you look at health, there is no consensus in health in this country about even what the goals of a good healthcare system are. So there are few if any examples that I know of a really strong success in health. You look at education, we are a little bit better because in many states including Massachusetts there has been a growing consensus about what the goals are. There is a growing consensus about the need to measure it and a number of states including Massachusetts have put in measurement systems but almost every school superintendent complains that he or she has little or no flexibility to change teaching methods and to change personnel and very little in the way of accountability. So while we have had some again isolated successes, there haven't been any really system-wide successes. Contrast that with a couple of areas where the story is a little bit better. Policing is one area. There have been several big cities, Boston is one of them, New York City is another, where there really has been a transformation. They have followed those four principles. You walk into a police department that has done that and on a regular basis they have all of the key commanders around. They have [inaudible] to almost a block-by-block level on crime and trends. They can analyze it by [time and date]. Everybody has clear goals. They can hold people accountable.

Yesterday I had the opportunity to be in a meeting with J.C. Turner who is the Commissioner of Human Resources Administration for New York City and he is an individual who has achieved a very considerable transformation of the New York City Welfare bureaucracy and their goals. For years and years and years New York City lagged in everything. They had the worst Food Stamp error rate. They had the worst Medicaid error rate. In good economic times when the caseload would go down in the rest of the country, it would stay on up in New York. New York got a remarkable transformation to the extent now where people make pilgrimages to New York City to figure out how they have done it and in his conference room every week he calls in his major directors and they sit in a big conference room, probably half the side of this room and up on all of the walls, there are no windows, up on all of the walls there are sheets of data, block by block, here is the food stamp error rate in Queens, almost on a street level. Here is the goal of the five directors in that borough and he starts to ask questions. Okay, well here you guys have succeeded in driving the error rate down [the median goal] and one person [hasn't] and he starts to put some pressure on there. He brings in the not for profits and sometimes the companies that New York city hires to assist them in this effort and he puts the same questions to those folks as well. You know, your contract says you were supposed to achieve the following goals at the end of the second quarter. You got there, terrific. In fact you exceeded your goal. Tell us what you did differently so we can take that knowledge and put it in other places in the country or if you haven't done it, he sort of lets you know in a not too subtle way that your contract might be revoked at the end of the year if you don't shape up. He also has managed to get much more than the normal amount of flexibility and accountability through his system. About every six months he is able to give bonuses where 10% of the annual salaries to caseworkers and supervisors in New York City who do an outstanding job. So if you are in the top 20% of caseworkers in New York City, every six months you can get a 10% bonus. You even get 20% extra in pay. It is an almost unheard of flexibility in the public sector. It is something that is fairly routine and it is a tool that I use in managing my contracts but you can make remarkable success and when you look at those charts it is not sort of typical over a five year period we will make gradual progress and things will be somewhat better. He expects and in many areas gets dramatic improvement in a relatively short period of time, three months, five months, and six months.

So it is possible to do it provided you have very clear goals and that means that you have to just not care about some things. As a public manager you are faced with a thousand possible governments and if you want to reinvent government you really have to be ruthless on your goals. You have to say to the extent that I can ignore or de-emphasize 90% of what I am going to do, that is what you have to do. If you are trying to spread your resources too thinly, you are going to achieve mediocrity in everything but it is awful clear that while a few particularly committed or particularly energetic and talented individuals have really succeeded in transforming their areas or their department but the culture as a whole has not taken root in this country and all you have to do is look at the response to airport security, arguably the greatest [inaudible] in our lifetime in government and there has not been one public official that I know of who has said well, let's look at some of these principles and sort of try and find the debate in that [instance]. It has been an immediate leap into a sort of old [friendship]. What we will do is we will change the organization's structure and rather than have private companies [do this] we will have the government be responsible. It is not clear what that would accomplish. Don't anybody tell John [Vacu] this but I started off my career in government as a [patronage employer]. I was 17 years old. I knew the alderman and I got a job at Newton City Hall microfilming the financial documents and I turned in after school at three o'clock and by 3:30 my mind was out there and [inaudible]. Your work starts off pretty good but pretty soon, about half way through the shift they are like this and by the time it is five o'clock they are upside down. He didn't want to fire me because it would make trouble for the alderman. So he gave me 50¢ an hour more. He said now pay attention. It didn't work. [Laughter] So much for incentive. So much for incentive. So much for solving our problems by throwing money at them but you look at the debate on civil liberties by Tom Jackson and it is very different. The Attorney General comes in with this [emergent, varied] demand for immediate action and someone immediately says okay, slow down this is serious. This is going to affect us for the rest of our lives. We want to take a very careful look at this. Civil liberties are so ingrained in Americans that it is a hardy plant that can survive whatever mother nature throws at it but principles of reinventing government I think it is sort of more like an exotic blossom. You still need the greenhouse. It still needs tender loving care if it is going to take root; otherwise it is going to whither and die.

So that is my observation. From dealing with states and counties all around the east coast, I would say Massachusetts is in the middle of the [pack]. We have some successes. We are clearly better off than some states that I have worked in. We are not [bad] off but I would not consider us from my experience one of the leaders sort of state-wide in trying to transform government and maybe we can get into that some more but Tripp I think I have used my seven minutes that you have allowed me.

Jones: That was perfect, perfect. Harry do you want to follow that up? I just want to connect you a little bit to some of the things you have said in the article in CommonWealth, the end review. You raised issues having to do with scale. I would love to get you to talk a little bit about that and you also talked about in your perspective I was pleased and also to some degree, having spent some time in government, surprised by your comments about the difference in New York in terms of how bitter and fractious the dialogue is there around change and I would love to hear you talk a little bit about your perspective on how we are different there and the culture in Massachusetts.

Harry Spence: Well, [I may] start there because a huge piece of my education in New York was to come to greatly appreciate Massachusetts's politics. [Laughter] I have always appreciated the intensity of Massachusetts's politics. That was one of the reasons I studied in Massachusetts. I said if you want to spend your life in government-I had grown up in New Jersey and I think I can say this safely in this audience- I had worked a couple of summers in New Jersey and I put [inaudible], there was one smart person in the entire New Jersey legislature and he quickly left the bench [laughter] and it always struck me that Massachusetts really has a wonderful human resource of the high level of capacity, commitment, intensity in its politics, actually perhaps because its major city is also its capital city alone among 50 states, which makes government a much greater focus of everybody's attention. So I have always appreciated that intensity but only when I got to New York did I appreciate something else, which is that there, are for example in doing alliances in Massachusetts. There are none in New York. Transactions last five minutes at a time and that is true not only on Wall Street but in City Hall and there are simply no enduring alliances. The savagery of upstate downstate feelings is so awful that it just, it poisons every debate about the state on the city. Those kinds of things, while we struggle with some of our divisions east and west for example in particular, they don't have anywhere near the [realness] and the nastiness of the New York and I really came to appreciate the civility of Massachusetts's politics.

Now to some extent on the downside there is the fact that New York is sort of in your face. You could say Massachusetts's civility is reflected in don't get mad, get even. Whether that is really civility is a different question. You could push that to some and talk whether we really have truly civil politics but there is a measure of sort of willingness to engage I think in long-term partnerships, in intents [but subsequent debate] but it seemed to me very helpful and encouraging. I think when we connect that to Bob's issues--because I think the questions that are going to come up as we move towards major changes in the way government operates are going to be topics in great debate and the quality of that debate is going to be really important.

For example I do think that the critical changes are being driven by the notion that there are beta systems that allow us to move from input regulation to output accountability. That is basically what is happening in education. We used to prescribe to schools what we should do, what curriculum and how you do it and then we would hope it would work. Now we basically say here is the output you have to achieve, do it however you want because we can now measure your output better. It means there are enormous debates over output measures [witness on test] because the effort then to reduce the great complexity of governmental services to a metric that you can then hold systems accountable for of course as Bob said, it forces very clear targeting of specific aspects of those services and the debate about whether those are the right aspects is going to be very intense, very intense.

Secondly I think it forces a different kind of worker. It forces the creation of knowledge workers in government and that is going to be a very intense struggle because when you do input regulation, it is essentially the bureaucratic equivalent of the production line. You tell people what to do. You regulate their behavior in great detail and then you [touch] compliance. That is the historic model of governmental behavior and the task of most bureaucrats was to insure compliance with the bureaucratic regulatory process. Now it is with measuring output. We don't care what you do, just get there, and figure out how to get there. That requires every government worker at almost every level to

become an innovator or a questioner or a tester, the schoolteacher for example, to become literally a reflective practitioner. A practitioner reflects on their own practice, doesn't just say I taught the curriculum you told me to teach. Some kids got it. Some kids didn't. The smart kids got it. The dumb ones didn't. We now say, now. Your task is to teach every kid and you have to figure out to reach the kid that historically you could say I flunked him. It is his fault. Now you have to say, no, that kid has to be brought to standard. You figure out how to get there. That means creating knowledge workers across the spectrum. It changes dramatically the question of the government's ability to recruit and I think most profoundly its ability to train. It is going to force a reexamination of the question of training in government. It has always been a marginal business. We never thought that it was a very serious business but if for example you look at one other of New York's great innovations which is the innovation in child Welfare services, it was [Nick Stupada] the former FBI agent, orphan and foster child who became Head of Child Welfare Services in New York who I think now is widely acknowledged to have made significant improvements in that system, an extraordinary achievement. I don't know of any other case in the nation where people could point to dramatic [inaudible], well that may be too strong but very significant, very significant improvements in child welfare, a big emphasis on training a major emphasis on training and they are doing that and there is a big debate going on in education these days. In fact there are systemic improvements like District Two in New York where an entire school district in New York, 30 some schools, have shown sustained improvement over a ten year period and under new changes in leadership. Tony [Alvarado] who many of you know because he was a candidate for Superintendent here, Tony who was the sort of charismatic leader who started it left for San Diego. Someone else took over and the progress continued. That person left. Someone else took over and the project is continued. That is evidence of the capacity for systemic change, not based on charismatic leadership but based on the development of systems that work. They are training based systems. The only changes, the only instances we know in this country of systemic change in the public education systems have been driven by professional development, professional development of a very different kind than we ever had before, based on classroom observation and evaluation of teacher by other teachers and by supervisors leading to assignments in essence of professional development. It is highly targeted to specific improvements in classroom behavior by teachers. We have never had that kind of professional development before. It has always been I want to take this course or I want to take that course. This kind of targeted discipline and training is a new thing in the public sector. It is going to force major changes that it is the only way we are going to get to the kind of quality of knowledge workers that is required by an output measurement system.

So those debates and the quality of those debates I think is going to be crucial. I would add one other whole dimension to this because I agree with all of the elements of reinventing government. They get to the issues of performance but they don't get to the fundamental issues of civic engagement and I think the second major set of changes that are less if you will technocratic and more democratic are around the redefinition of what we mean by democracy and they mean a redefinition that goes beyond the notion of 51% majority to a notion of dialogue and civic engagement and those we have to build rapidly. I would consider frankly from my point of view the things that hearten me the most in the work I have done were going back to Chelsea two weeks ago and having people who ten years ago hated each other and could not talk to each other say we now all talk about the problems in Chelsea together. We have bitter disagreements but we talk. Chelsea was great training for New York because the politics of Chelsea were exactly like the politics of New York when I arrived there. [Laughter] They really are

much more-really it is the best training for New York I ever could have had. They really are. As far as I can make out a genuine dialogue is going on in that seat. It is cross ethnic among groups that were literally in some cases at war, where there was violent confrontation appearing. It is now serious debate and discussion in dialogue. That grew out of steps that we took in the receivership around mediation and negotiation efforts, around civic engagement, public discussion and the like. Those steps, I tried it in New York to see whether on a large scale can you hold public discussion. We engaged 7,000 people over six months in 42 different half-day conferences in New York on the roles of parents, administrators and teachers and the administrations of schools and created a whole new basis for the debate.

Jones: Thank you. Senator McGovern it is great to have you here. So what I would like to do and it was interesting going back and looking at your bio again and seeing all of the different experiences you have had in government issues ranging from court reform to Welfare issues, most recently you have just been appointed to this task force looking at Massport, the work you did in the city with the hospital merger. You have been involved in reform in so many different areas of government through your work both in government and outside. I am sure all of you remember that in the fifth anniversary issue of Commonwealth, two issues ago that you probably just finished putting down [laughter] that there was in a section that we called "Five Ideas" that should have gone somewhere but just didn't, we singled out two topics from the well-reformed. You were involved at that point in government, the management of government that were taken on early and then sort of fizzled and our editors suggested that these topics warranted further attention. One was government streamlining and reformance of bureaucracy and the second was a performance-based budgeting effort and so I am sure you have a lot you want to say but we are not going to spend a lot of time I hope dwelling on what happened. We want to look forward but I would love you to take a few minutes to talk about your perspective on the well-reformed, what did happen since you were a part of at least the beginning of those efforts and again most importantly where we are today.

Senator Patricia McGovern: Thank you very much. Thank you for having me and it is nice to be here and see so many old friends. I am going to be very brief because this is a panel that I think would rather listen to the other four than speak myself. I loved listening to Elaine Kamark. Her national perspective is just terrific and Bob and Harry had some wonderful experiences to share. So let me be brief.

I just sort of to play off wrote down a few notes. It is interesting if you said that happened to those reforms and listening to Bob and listening to Harry and Bob talking about David Osborn's book, David lists the things that you need to make government reform work and I just wrote down two words that I think at the end of the day transcend all of the others and the two words are: political role. You can have the best ideas in the world. You can put in all of the performance measures you want. You can bring in all the wonderful academics and all of the intellectuals. At the end of the day you need political role and by that I mean you need leadership on the federal level or the state level or the local level that says we are going to do this. We are going to do this. This is what we are going to do and I don't mean to minimize the difficulties and I say that I guess it was Elaine was talking about the work in the White House and those who have been privileged to work there had wonderful stories about the lack of [inaudible] [for Presidents]. I mean one thing [one thinks] a President can do anything. So it always interests me when somebody gets up and says there are lots of things that presidents

can't do but my favorite White House story is a Harry Truman story and Harry Truman used to always tell the story in every book that was written about Harry Truman when he first became President of the United States, the leader of much of the world, he picked up his phone and he called one of the members of the bureaucracy and he said "This is Harry Truman." and he gave a direct order and he used to love to tell the story. Nothing happened. Absolutely nothing happened. So it is about a political role. It is about relentlessness in going back and following up and an accountability not only on the bureaucratic level but also at the level above that. If you don't have that, I think you can't have governmental reform. Somebody talked about the Boston and the New York police departments. In both instances I would argue you had a mayor who said you are going to do this. You didn't have a mayor [decay] and I think that makes all of the difference in the world. So at the end of the day you need the leadership and the political will once the reforms are proposed to see them through and keep after them and it is extraordinary difficult knowing this first hand having yes achieved some reforms and having failed at others for a variety of reasons but it is the relentlessness of having a Steve Crosby [and a mayor now] who keeps after it and after it and after it and finally works at the Governor's office to make sure that the reforms are a tight priority.

Two or three quick points. Harry mentioned some cultural issues in Massachusetts and these are a very interesting [status we all know] in terms of reform. On the one hand we have an intellectual life that I would argue was second to none in this country. We have these great universities, these great academic medical centers and hospitals, these world-class cultural institutions. The Boston Symphony is not a Massachusetts symphony. It is not even an American. It is better known internationally than virtually any symphony in the world. We have world-class cultural institutions. It is quite extraordinary for a city that really is tiny. We only have 600,000 people who live here. About 100,000 of them are students. So we only have real Bostonians who are about a half of a million people. That is really quite tiny when you think of all of the major cities in this country but we have this wonderful intellectual overlay. At the same time somewhere in there we have a political structure that is not even Massachusetts. It is Boston. It is even subsets of Boston that is very much into the old way of doing business and very opposed to government reform, however we define reform. They don't simply stand in the middle of the road. They just don't want any change. Even if we can make a great intellectual case, we can make a financial case, we can make a cultural case, the policy doesn't matter, they don't want in and so that is something I would think about in this state that really is unique and different. Yes, our major city is our capital. It also is where our major newspapers are included. It is also where our cultural institutions are. It is a very odd city and I always think we can call Harvard and get virtually anybody to come and participate in the Commonwealth and help with the redesign. We almost never do that which I always thought is a tragedy but there is this underbelly of a political structure in this state that really is 1940s and we have to understand that we have to figure out a way to get by that and move that forward.

Two, if I may, quick stories about sort of successes and failures. Now I was asked by the Mayor to chair this commission on merging two hospitals. Both hospitals were going bankrupt. The City Hospital was hemorrhaging money owned by the city. Boston University Medical Center would not have survived. They both had the same medical school. They are both teaching institutions, Boston University. The mayor appointed a number of commissions. He finally asked me to head a commission to basically try merging the two. Ten years earlier--we privatized City Hospital. Had I even proposed that, I probably would have been strung up. Timing is important in political work. The one

thing I thought of as we did that merger and what turned out to be a substantial government reform was would I lose the mayor because if I lost him and if the Commission, if all of us lost the mayor during that time of reform and change, it would not have occurred. The mayor stood with us. Because he did, we abolished civil service. We made Boston City of [inaudible]. The mission statement was included in the legislation. It actually was more of a [inaudible] than it was them, so it has been successful and believe it or not this year it is one of the few hospitals that has some balance for a range of reasons including health in the Commonwealth. So it is a success story but the mayor stayed with us. When he asked me to do it, I said can I borrow Civil Service, can this be [unfettered] and he said absolutely and then you worry if you do it Bob and Harry and Elaine and you then worry and say okay let's hope and he did what he said he would do. He was as good as his word and it succeeded. If I lost him what I am trying to say is I don't care how good the Commission was or the staff or anybody else, we wouldn't have succeeded.

A story of failure, when I was in the legislature I came out with what I thought was a terrific reform of how we do debt and a work of investment bank or financial advisors and a whole lot of folks and I put it out as a reform on the budget. It got virtually no press. No one sort of cared. It really was I think a meaningful reform. The day I put it out, the roof fell in the State House and people were furious at me, a certain level of the society was furious. The public was never informed about it. I tried to sell it but no one cared. It was too technical and too difficult and some other stuff and no one cared. The press office was more interested in Johnnie's second cousin getting what used to be a 30-day appointment than saving the public through a reform of hundreds of millions of dollars in fees. What happened is somebody said to me do you know what you have done Pat? You have disturbed established relationships in this Commonwealth that are very longstanding and very old. That is what you have done. At the end of the day you can't win and at the end of the day I did not win. There have been subsequent to that some changes in those policies, which is terrific. So in once instance I had the political-the person who had the political strength [a year] behind me and the other for a range of very different reasons I couldn't put it all together. In one I was successful. In one I wasn't successful.

Just two other very brief points and that is I guess it was Harry who was talking about this whole issue of knowledge and innovation and as we have this discussion the one thing I think we also have to do is in addition to trying to educate folks like the people in this room educate each other about change in government, [many of you] want to do things very differently in government and change, we have to find a way to bring the public along with us and educate the press and I [guess it was Harry who enumerated the kinds of things] that he was talking about and Bob for that matter and I sort of [inaudible] that is terrific, that is terrific, that is terrific but how do we get by the fact that if John Smith is appointed by Steve Cosby for a good job in the government and he gets \$100,000 a year, that person becomes trashed in the Boston media or if the bureaucrat tries to be creative and is creative and we all say what a great idea, if that bureaucrat stumbles or if the media understands that as a stumble. The bureaucrat is [inaudible]. So how do we educate the press and the public that we have to recruit very talented people, we have to pay them? We have to give them the ability to be flexible, to be creative. We have to free them of some of these crazy regulations of the past and then we have to support them, not only with the political role of the appointing authority but the press has got to stand up and say that is right. That is the right way to do it and I think it is really important to understand it is a much larger discussion. We can all agree but if John

Jones tries to do some reform in Massachusetts, even if the Governor stands and the leadership of the state stands with that person, if the innovation is such that it is picked up by the media or by certain people who love to be negative about such things and the person is trashed, we are not going to get the reform or the governmental change that we need. So it is about taking the discussion, making it much broader and bringing not only the people in this room but bringing the opinion leaders, the media and an educated public along with us so they will support those changes, understand those changes and understand it is all right in government to be creative so that we can run a government that we [inaudible] very proud. So enough said, I will [inaudible].

Jones: Thank you very much. Mr. Secretary, it is great to have you with us. We are lucky to have the point person in state government who is responsible for in many ways driving the reform agenda, someone who has had a successful career in the private sector as well as extensive experience in the political, public spheres. I know from your early involvement in our work to create MassINC your interest in seeing government change, when you were going into your new position you talked a lot about hopefully being able to bring some of the experiences you have had in the private sector and incorporate that knowledge, that experience into what you are doing at A&F today and I would love to one of the things that we for example at MassINC felt is there is huge opportunity for change in government in the role of technology. We are at a spectacular point in time in terms of the opportunity to leverage technology to help to facilitate change. You have been at the forefront of recent efforts to do that and I would love to hear you talk again about your perspective today. Where are we today? What is your agenda? What sort of hurdles or impediments are you dealing with?

Stephen Crosby: Thank you Tripp. There are so many different ways to go and so much of what was said is stimulating, there are lots of good places I would like to start but apropos of that particular comment first of all just for the record the bumper sticker solution of bringing business people into government is fundamentally a bad solution I think because the skill sets of success, the metrics of success, the nature of the problem, the nature of the issues, the nature of the management environment, the nature of the critical variables that come to bear on decision making are so different that to bring in a pure business person into most senior political leadership positions is a recipe for gross failure I think and personal dissatisfaction. I happen to have had a political background many years before most people were ever born but it was enough of a leavening that the two at least gave me a fighting chance. I think that in itself is an interesting point about quote reforming and reinventing and streamlining government.

I came into this job a year and a half ago with an entrepreneurial centric or businessman centric perspective even though I had been in government many years ago and there were three basic kind of principles that I brought to the table and [squat] the [preceptor] who was sitting out there called me about being a candidate for the Secretary of Administration and Finance and I remember well saying to him that I didn't think I was a serious candidate. I don't know anything about state administration or finance but besides that I would love to be a candidate. Much to my surprise Chris kept talking to me but I had three predispositions in my mind. One was I am very aware obviously and we all are about the impact of the profit motive as a managing device in the private sector and it is the single managing device. There is a fiduciary, there is a cultural, and there is a practical drive to use the production of profits, as the motive for management, as the metric for management. It is very simple. You don't hit your P&L objectives, you are

gone. The division doesn't work, you close it down. You are too heavily staffed, you lay people off and you have a very simple measure and you have very simple and obvious tools and one of the things I was thinking about is how can we bring the profit centered driver, the profit centered motive into the public center in some way and manage that. Is there a way and I thought I had some ideas on that. The second was to figure out a way to take advantage of what we in the private sector would call the balance sheet assets of the Commonwealth, that one of the major things in private business is managing the assets on your balance sheet and getting productivity out of them and I was thinking that the state didn't really understand what balance sheet assets were. We have cash reserves of almost \$3 billion and unemployment reserves of \$2 billion. We have tons of land sitting around doing nothing. We have, this isn't quite a balance sheet asset but it relates to other stuff, we have tremendous knowledge in our workforce at the retail end of the workforce that I wasn't at all sure we made sufficient value of. So trying to think of how we could leverage our balance sheet assets and get more out of them and third as Tripp mentioned was e-government. Clearly when I came in we were still in the midst of the huge technology boom, this vast increase or at least substantial increase in productivity that the private sector had had that was utterly non-inflationary due in a large part to the utilization of technology and the processing of business and I was thinking two things, that if the government could get into that same mode and move as far into the use of the Internet and electronic means of transactions and devise and transformation that the private sector had, that we could both get productivity gains and begin to use electronic access as a means of bypassing all of the impediments to change and efficient transactions. If you don't have to walk down to the DSS building and then over to the OCSS building and then to the DTA building and then to the DMA building to get all of your various benefits for your young child and you can do it all by an electronic means then ipso facto you have sort of made the stove pipes of state government irrelevant.

So those are the three things, the electronic government, trying to harness the profit motive and leveraging the states balance sheet assets that I came into. After a year and a half I have come to respect particularly one of the many wise things in the interview with Harry, the conversation with Harry that was in CommonWealth, where he remarked upon his reliance on Hindu based mediation practices [laughter] because he said it helps you keep under control the natural predisposition of illusion and delusion about your ability to control the world. [Laughter] That was right on. He was great and I am going to get some of those beads [laughter] but actually I am not. It is hugely overwhelming but I am not at all discouraged and after a year and half where there are immense barriers, there are immense problems but I am still entirely energized, rather than innovated by the challenge and one example just for the record there are in this room that I have already seen without looking easily ten or 15 of the senior department heads in our agencies and some of their deputies as well who have come voluntarily to participate in this conference and this sounds a little trite but it is genuinely startling to me, genuinely flat out startling to me how capable and non-defensive and forward looking and open minded and smart and talented and a large number, almost easy 65, 75, 80% of the senior managers in state government and they are a resource if given the support to start to get to some of the issues. It is actually thrilling. It is not upsetting. There are not a lot of dogs walking around which you tend to think and that goes to one of the things Pat was talking about because there is a predisposition that if you are in this business, you are a slime ball and the Howie Carrs of the world in my view should go to jail. It is utterly destructive and irresponsible and false and corruptive and corrosive of the democracy to have such a hostile and distorted and mis-representative and ugly view of public service.

There are a couple of ways I wanted to go Tripp and I don't know which really is the right way to go. I think there is a big problem as there always is in these kinds of things of definition. We talk re-inventing government; the headline was something or other the challenge of reform. Well, what does that mean? Reinventing what? Why? Reforming what? Obviously if you are reforming corruption, that is pretty straightforward. We know about that. If you are reforming the process, there is another kind, whether it is the clean elections, outside sections budget kind of reform. That is one kind of reform that we understand and it is also by the way indicative if we can't marshal the political will to enforce a law passed by the people of Massachusetts to reform the critical system of electing their public officials, if we can't muster the political will and its negative sanctions of the failure to enforce that law, then we can't do anything and if we can't enforce the Constitutional mandate to get a budget produced by the end of June in order that the government can go forward, if we don't have the resources to marshal the sanctions or the will to enforce that rudimentary a measure of performance then we have some serious big time problems when it comes to marshaling resources to the things that are subtle, when we can't even-you get the picture.

McGovern: I think so.

Crosby: I would speak to sort of the political will issue I think is really interesting and I agree a lot with what Pat talked about but I see three barriers sort of, that the absence of a two party system is really a grotesque distortion of the way democracy is supposed to work or even of a viable minority within the majority party. When I was here before there was still a huge overwhelming majority of Democrats in the House and Senate but there were a few more Republicans and there was a robust minority in the sort of runt caucus in the Democratic House and then to [inaudible] in the Senate and they could sometimes coalesce with the Republicans. There was some leverage. There was some debate but the absence of two parties, either within the one or the standard two, coupled with the utter hypocrisy of the election of the Speaker and his now appointment of the Committee leadership and of the Senate President, we really only have two people in the legislature that make any difference on virtually all topics, not all topics but virtually all topics. So the normal ways of marshaling political will aren't out there. The poor Reps and Senators walk around embarrassed because they know they can't do squat about anything, even the Committee Chairs and that is a real problem.

So the combination of the absence of a two part system with the overwhelming power of the President and Senate and the Speaker of the House which amazingly to me has gotten more extreme since I was up here before when you had the [John F. X. Damerens] and the Iron Duke from Ludlow or whatever his name was. [Laughter] It is worse than it was. I thought David Bartley was a wonderful tyrant but boy Tom Finneran is a much more wonderful tyrant [laughter] and there is also, I think, this issue about the media. It is just you live with it. I have always said in all of these years that a rogue media is much less damaging to the democracy than a rogue government and if it weren't for the rogue media or the media, we would have a rogue government so we are better off with the mix we have got. Having said that the evolution of the got ya mentality, in some sense I think we might be better off in this town if we had one newspaper rather than two because there is competition for the crappy, stupid but grabby headline story and there has been an evolution that is cultural. It does not just have to do just with the media. I think away from looking at government as an important issue, business is kind of where the leaders are, not government and the sensitivities that you talked about, the

unwillingness. I had an honest but depressing conversation about the budget with one of the major reporters in the State House and I said you have to help us on this one. Somebody has got to be getting outraged because there are no sanctions any more. We will never have a budget, ever, any year and he said you know he said, "You know Steve, we need blood in the streets." And I said well you don't get blood in the streets because we are doing a good job managing this. We are not letting domestic violence shelters close because our agency heads are killing themselves and we are trying to figure out how to move money around and practically [inaudible] and break the law by spending money we don't have the right to spend. Marty Benison is the State's Comptroller. You want blood in the streets, we can create blood in the streets but you don't want that and he said, "I am sorry, that is what we can write about." So anyway, I look forward to hopefully more time here but also in the future to talk about this because it is wonderful, exciting, frustrating and critically urgent and important stuff.

Jones: That was a terrific start. I am sure we have a lot of questions. I am going to take the liberty of asking one last one and I want to go back to you Senator. Harry I know you raised your hand and I will give you a chance after I do this to jump in but one of the reasons why we got most interested in looking at this topic for this sort of an event right now as we said before is it is our belief that heading into a tougher economic period means that there may be one of the few possible benefits that we will have is that people all of a sudden start talking more about change, how to get more out of resources, blah, blah, blah. As one individual who was really involved in what happened in the last fiscal challenge crisis period, it seemed to me that there was a fair amount of attention to that stuff. I would love Senator if you would talk for a couple of seconds at least about your perspective on whether that is in fact true and if so what does that mean?

McGovern: It is interesting. I am a hopeless optimist. It is nice to hear people in government be that enthusiastic and he is a terrific Secretary very much so just trying to listen to him and I share his enthusiasm for government. It is my experience and I am going to state the obvious so forgive me. Everybody in the room I think has gone through this. It is very difficult to make real structural change in a time [of complacency]. Everybody just wants to keep doing what he or she is doing and they want more money to do it and if you say no and there are problems with the budget process then people get really angry. The time for profound performance change in my judgment is during a fiscal crisis and from what I can see of the numbers, the revenue numbers and Steve knows more about this than I do, the Commonwealth had a surplus of over a half of a billion dollars last year. This first quarter of '02 we are down about \$300 plus million. It is right off the cliff. It happened in the late 80s in a tremendous booming economy and for a range of reasons including revenues last year, one-time revenues from American taxes that won't be repeated this year. The revenues go down. All of a sudden we are facing a year of what the Governor said yesterday in the newspaper where we have the potential for a \$1.1 billion deficit. There is a tax decrease that is going to take affect in the beginning of January that will cost \$800 million. We will have to, I assume, speaking for no one but myself, but I assume more money will have to go into public safety and public health because of the world in which we now live. So there are profound challenges but I argue and I absolutely believe this. This is a time of great opportunity. That is going to make the change. That is when you can get people to move. That is when you can engage the opinion leaders; the people who work in government, the media and the public to support your ideas for change. We can make a real change, structural change and really make a difference and we can use this difficult time as an opportunity. I absolute believe it. I have seen it before and the good times it is brutal. It is more, more,

more. You can't change much of anything. In the difficult times reasonable people will at least say yes, there really isn't enough money so we better figure out how to do it for less and gee, maybe this e-commerce, maybe that is a way to do it for less after we make the initial capital investment and it turns out to be a wonderful substantive reform also. So I think there is great opportunity in what is going to be a fiscal challenge for the next year. It is going to be a national fiscal challenge. Pre the 11th of September the economy as we all know was softening. It really was softening here. We are very reliant on tourism. Post September 11th we all know what happened in terms of tourism and it is going to disproportionately affect the Commonwealth and its revenue. So yes, I think there is great opportunity. I think it can make a real difference. Now is the time to get together, try out and try to get those structural reforms and governmental changes that we couldn't get in the last decade. You can get them now. People will do what needs to be done now, especially with the overlay of what is happening nationally and internationally.

Jones: I saw the Secretary nodding, so we will get you back in a year and you can tell us about all of the change you have made and exactly who deserves all of the credit. Harry, I want to give you a chance to jump in and get ready. We will open it up now.

Spence: I just have two quick things. One, I just want to pick up on Pat's remarks. I think one of the interesting things is can we go into a contraction actually thinking about how do we do the contraction in such a manner that it built the foundation for significant change. I used to say I would have not gone to the New York City School System if that hadn't been addressed, a contraction. It softened up the bureaucracy to consider changes that it never would have considered in other times.

The thing I just wanted to pick up on also was just a little bit on this question of policing to do a little bit of contrast between New York and Boston and to think about Boston's role in change. The development of community policing and problem solving policing really is a Boston invention. In 1980 I was working with Bob [Wasserman] at the Boston Housing Authority, Bob Wasserman, Bill Bratton and a bunch of other people both uniformed and non-uniformed working ultimately then with Mark Moore at the Kennedy School of Government, developed a kind of ideology of, the notion of community and problem solving policing, made it exportable. Bratton then took it to New York. There are huge differences between the way New York did it and Boston did it and they were terribly important differences and I think speak to a huge strength in Boston and Massachusetts. The difference basically was that after Bratton left, the New York approach to policing became essentially an adversarial one with minority community and that was, I think, a tragic event for New York and tragic for Mayor Giuliani who while he is a hero right now bears significant responsibility for that. That was not Bratton's approach. The fundamental difference was communities of color had been redlined with respect to policing in every American city throughout history. You do not police communities of color with the same intensity that you police white communities was the rule. You don't put the resources in. You just don't. The huge change was saying we were police; provide police services to all communities equally. That in New York turned into we were police communities of color. That never happened in Boston. The opposite occurred in Boston. At the peak of the drop in Boston's crime rate, 80% I think it was, residents and minority community supported the work of the police as opposed to something like 17% in New York. That is because of this issue of engagement and because of the social capital that it developed, not just political will of the mayor which was one crucial piece but the other end of the spectrum was the role of the black

churches, [the yellow and black] churches, which had developed as institutions of considerable social capital in the black community. They play a role in New York but know where the power and influence of the social capital that had developed in the black churches in Boston and the bureaucracy and the mayor and the political organization realized that you bought the beta driven, output driven, da, da, da and you do it on collaboration with setting goals in the community, working closely with the community and the difference between New York and Boston was immense, not in output because in output it was the same, dramatic reduction but immense in terms of the quality of civic culture. That makes a huge difference for Boston and New York and that is one of the reasons I argue that you have to take both the principles of reinventing and then connect them to the principles of social capital and civic engagement and those two together are what make the real thing.

Jones: Bob, you are looking to get my attention. Do you want to say something?

Melia: A couple of things. One is Harry following up on sort of engaging the community. Every year, I was in Massachusetts State government, for 10 or 12 years so, I got a performance evaluation. It was always about goals and it was good and some years it was even rigorous depending on who my boss was but it was always goals that were internal to the department. They were sort of the bureaucratic goals that we decided. There was never a single evaluation that had any customer input, not me personally in my entire state government career. By contrast when I do evaluations on my project managers we served a government client and we served for dealing with Medicaid recipients or Food Stamp recipients, we send out surveys to hundreds of them. They get returned to headquarters so the project manager doesn't see the recipients and your compensation and your career are dependent on customer satisfaction and that strikes me as an area that if we were sort of serious about getting dialogue in, it could be done without great change.

There are also just sort two other early warning signals I think that will tell us if sort of intelligent reorganization is likely to happen in the fiscal crunch. One is every fiscal crunch, the one in '74, '75, the '81-82 recession and '90-91. The redesign of the MDC and abolition of the MCD always comes up and it is always the same. If the same [inaudible] you can take 20% overhead right away and it never happens. So that is like the canary in the mind shaft. See what happens to the MDC over the next 18 months.

Jones: It is highlighted in Commonwealth.

Melia: And the second one is Arizona has set up a sort of competition in their state on delivering Welfare to Work services and they have hired some companies and they are still in the public business and they said very clear, they said in three years we are going to find out and it is either going to be all public or it is going to be all private. It is a winner takes all. In Los Angeles there is a mandate from the county Board to do the same thing and the department did an analysis and they said here is our analysis. We have proved we are more efficient. Let's not even try the experiment. [Laughter] So they called in Anderson Consulting and they looked at it and they said well, if you change your time frames a little bit. It is worth at least having the competition. So Los Angeles is now having the competition. We don't have any of those competitions and in fact we pretty much can't. We are precluded by what is commonly called Pacheco Law from having that, almost precluded and that is probably the second signal. The idea that you can

measure the outcome beforehand and you can some how study it and you can determine we either should embark on a great change or we can't. It is the absolute wrong mindset in Massachusetts. Embarking on this kind of change means inevitable false starts and it means inevitable mistakes and we have to be willing to tolerate some of them otherwise we are going to stay pretty much where we are.

Jones: Okay I think what I want to do is open this up. We have used up just about all of our time. We have about 15 minutes left. I want to start by recognizing, Charlie Chieppo who directs Pioneer Institute Center for Restructuring Government. We have the utmost respect for the work you guys have been doing over there, the effort that has been putting ideas on the table. Charlie?

Charlie Chieppo: Thanks Tripp. I will be quick I am Pioneer's ambassador to MassINC. [laughter].

Jones: A good one.

Chieppo: And a good one, yes. We all think that what we do is the most important thing in the world. I am thrilled to see you guys taking this on because this is what I do. I think that last year I was lucky enough to get to serve under Senator McGovern on an MBTA Committee about forward funding and became a huge fan and today she again I think hit on the issues that I would want to just mention very quickly. Political will and timing because to me that is what it all comes down to and I would just give two very quick examples, one on the state level and one on the federal level, not to pick on Senator Pacheco again but we do have here on the state level a law that gives state workers a monopoly on anything that they currently do. On the federal level I was very involved last year and the last couple of years working on this attempt for the MBTA to get out from under AMTRAK running its commuter rail. We could have saved hundreds and hundreds of millions of dollars but because of a crazy law that sort of got crazier in its interpretation Section 13C of the Federal Transit Act we couldn't do it and something that could have saved us three-quarters of a billion dollars probably over five years gone. Cannot do it. That contract is going to be re-upped to next year. So I guess my question to you is the political will and the timing such that we can really take on these things and I am not I enough to think that if we did those two things everything would be perfect but I just use them as symbols of the importance of political will.

Jones: Anyone want to respond to that? Steve?

Crosby: Well, I think there is a consensus on both. Specifically for the two I don't have a clue but there is a clear consensus that a political will loosely defined is critical and in crisis is a time to get it and certainly we talked about a lot of the department heads in state government who are so impressive. You know I had a meeting yesterday as I do on a fairly regular basis with the 11 top agency heads. We have 160 odd agencies. Eleven of them count for 60% of the budget and I meet with them on a fairly regular basis and we talked about the article in the Globe yesterday about a billion and one short fall and to a substantial extent the reaction was one of kind of grim enthusiasm because their agency heads who are constantly being beat up on to try to do more with less at the same time as there are all of these political sacred cows that you can't touch. Some senator or other has a facility in his district that he doesn't want closed. We are going to take another look at that one. There are things that you can do in times like this

that you can't do in other times and I think that there was never an optimal time, there was never a time when there aren't all of these incongruous counter pressures that absolutely and we should look at this and, Harry, you said it better than I have been thinking about it and I have been missing the opportunity. We should absolutely train this as a fundamentally positive opportunity. There will be some pain yes but it is a fundamentally positive opportunity to make change that will enable us to do what we are supposed to do which is deliver services on behalf of people at a better deal to the people who did pay the bills.

McGovern: Can I also answer Charlie? I am a huge fan of his. He does a great job for the Pioneer Institute and works in an area that sometimes doesn't get as much support as it should. So I am thrilled he is here to participate. He asked really kind of two profound questions and at the risk of once again touching the third rail of Massachusetts's politics, I am going to answer him directly. He is dead on right about both of them. There is a law in the Commonwealth that completely stifles innovation and that is named after a senator. He was actually a very nice man but it speaks to the issue of humans. A, I come from a human family. B, my uncle once was the Commissioner of Labor and ran the AFL in the Commonwealth and I come from Lawrence. So I am not anti-human. Having said that there are unions and there are unions and there is a time in history for certain kinds of unions and if there is ever a group that ever reinvented itself it is unions because unions as we understand them today were put in place for the early part of the 20th century in states such as Massachusetts. Well, the unions are gone and they were incredibly important but the era in which they grew up has now ended and we live in a different world but they play the game as if it is 1914 and we are still in Lawrence. That is all gone. It is the world of technology. It is a world of different kind of education, different kind of skill sets. It is a profoundly different world and they have to change as much as government has to change and if we can find a way to partner with them in that change and that is going to be the toughest sell of all. That bill inhibits and it has been said and when it was passed I winced. I am not suggesting I could have stopped it by the way but I am suggesting it is really difficult and we have to find a way about it and the story of Amtrak, which I don't know how many people in this room are aware of it. I am not going to go through it. I didn't know until I got involved with the Special Commission but it is appalling. It is a story of if the public is educated around the money the Commonwealth loses on that contract, three-quarters of a billion dollars because it has to be given to one entity versus another. The second entity said it would pay the workers the same as the first entity but to have the reunion issue and it took on a life of its own with the Congress and others in the Executive branch and we all understand those things but you know again this hiring Johnnie Jones second cousin as a toll taker and I am not trying to demean people, and there is three-quarters of a billion dollars. We have a group here. You know what I mean? We have to get a grip here. [Laughter] So that is again it is how do you educate the public, the opinion leaders through the media on that issue and finally how do you stand tall and take the bullet because it is going to be a tough bullet and to be fair to this administration, a Secretary of Transportation really tried hard to fight that and at the end of the day, people like Charlie and others lost a battle. That is a battle that should have been won but it is how do we educate folks about those issues because if we can't win on those two it really is difficult to make change and again during this era you say to the public we have a bill that stands in our way, maybe we can find a way to modify it and by the way we can save three-quarters of a billion dollars if we do this versus that, maybe now we have a chance to engage in those issues.

Melia: A couple of quick things. First of all I am glad you brought up the issue of the unions. I think we have a lot of good partners at MassINC in the union cause. I can tell you we have had a number of conversations with them. We debated having someone from the unions up here on the panel and frankly we were afraid it would become just a dialogue about respect to our friend Senator Pacheco who happens to be here in the back, that it would just degenerate into a privatization discussion. We didn't want to do it but I know there are representatives here from the labor movement, some of whom we have had conversations with about their interests and their current efforts to do some of the things you are talking about. So just from our perspective we are optimistic that that sort of interaction is something that can and will happen.

Crosby: I know you want to go to others but I was only reading in the newspapers when the Pacheco Bill was passed and that whole thing was going on but my memory suggests to me and I assume that I am right about part of it, the privatization effort became such an aggressive and almost hostile force. There are two sides to every story and as much of a problem as I have with the Pacheco Bill I think the seeds were sown when there was a Howie Carr approach to state workers and when you polarize a debate like that and falsify a debate like that then you set up and you go in opposite a counter reaction which may be itself excessive. So this is tough stuff we are talking about and it is figuring out how you go forward in a marginally collaborative way, at least a way that doesn't so polarize the debate that it is good for an election and lousy for governing. That is what happened I think,

Jones: I am glad you said that and for people who are more interested in this specific issue about what did happen in the over-zealousness of the effort acknowledged by people who were involved, there is an article in none other than CommonWealth Magazine [laughter] in the last issue that profiled our friend Pacheco that is online, Massinc.org, for anyone who wants to learn more about it. We have a number of legislators in the room today. We are always flattered that you take the time out of your schedules to come. I want to acknowledge one and then if we get time for another question, why don't you just introduce yourself Senator and you have a mike right there.

Senator Magnani: Thanks very much Tripp. I will try to do this quickly so that we can get other questions in but let me just say Steve, I hope you are un-enrolled because if we get a Democratic administration next November that you will be able to stick around. You are doing a great job.

Crosby: Thank you. [Laughter]

Senator Magnani: My point is very simple and it jumps off on Steve's point and really Harry's point about participatory decision making at the employee level, Steve's point about the notion that you need to sort of involve the financial motivation, the profit motive as part of the system and Pat's point that you can do this better in a crisis because Victor [Gottbaum]. If you remember Victor Gottbaum was head of Public Safety in New York. Under [Lindsey] when they are in a bond crisis, tremendous fiscal crisis, they had signed three-year contracts. They are in their third year. The police department has signed its third year of assigned contract and they are basically telling the police department sorry, we can't pay your contract. Victor said, "Tell you what? You give us the money we save. You give us the money we save in our police department to fund our contracts and we will give you back anything extra." They paid their contracts that year.

They involved the police department in the process of making their own department a place where they themselves wanted to work. So I guess and by the way, Steve, you'll get a kick out of this. There are thousands of laws on the Commonwealth that are being ignored, one of which I authored [laughter] and that is the Office of Employee Involvement and Ownership in the Commonwealth. One of its mandates is to get public sector employees involved in participatory management and gain sharing. It often works best at a time of fiscal crisis. I will get you the bill after the session but I would like you to comment perhaps a little bit about how we get employees at the ground level, since they really are state government and they really are the ones that decide whether or not we are going to make things better, how we involve them strategically in addressing the kinds of efficiencies that we would like to see.

Crosby: This is actually something where I think we have made some real progress. We did a survey of state employees. First of all I came in thinking I was all set. I have all of these great new ideas. It turns out a lot of them had already been done or talked about but we did a survey of state employees. I was thinking let's figure out a way to induce state employees I was thinking principally with financial rewards or the opportunity for financial rewards, big rewards, to tell us what they know. I am not sure about strategic but at least tactical on how can we do what we are doing better and cheaper and we saw it in the survey. We got 4,000 responses, 4,000 responses to our survey about incentive systems and so forth and used that to come up with a system which will take what our existing Suggestion Awards Program which has a long bureaucratic way of measuring the outcome of good ideas and years later maybe you can get a check which is capped for \$5,000. We are going to try to change that. We are in collaboration with you folks to file that probably to try to use the incentive much more, the financial incentive much more although some people are not motivated by financial incentives to my amazement [laughter] but we have instituted a Management for Results initiative. I think one of those we didn't talk about very much is what happened with some of the well meant efforts and often times-there are volumes of reinventing governments and re-orgs that I can remember going back all the way to 1970 which is when we set up the Secretariat System and one of the problems is they are very often and most frequently top down. The new administration puts a group of 12 smart folks in a room for a week and they come up with a re-org and the re-org gets filed and it is [DOA] and that is the end of it. So we figured let's come up with a system which generates stuff from the retail end and this Management for Results initiative is quite interesting, quite thorough, has been remarkably successful and we provide facilitators. We ask every single state employee, all 73,000 of them or [6,000] of them to participate. We have meetings. We have trained facilitators to generate ideas and they come up through a process and so on and so forth.

If we had it a little better worked out we would have the financial incentives in place already but how do you do it. You need clearly to start out with a commitment from the top but then you have to get mega buy-in at the middle management level, which is not easy. The top management level, no problem because they are really terrific on this. Middle managers are nervous. They are threatened and then [I may do] a probably somewhat naive effort to try to talk with the unions about it and I have been meeting regularly with most of the union heads as well and I think it is fundamentally supportive of the idea but sensitive to the fact that they don't really want us having one on one conversations with their employees about ideas because maybe it is not the party line and they are suspicious. They don't trust my motives, probably for good reasons from time to time and they don't trust middle managers and that hasn't worked very well but

you can try and you can start and we said this is a first run. We will get what we get out of it and we will learn what we did wrong and when Jane Swift becomes Governor again we will have four years to do this and we will do this really well.

Jones: All right, Elaine, you have listened to all of this. You kicked it off. I am going to let you provide the final words from the panel and then I will do a quick close and thanks for people hanging around. Elaine?

Kamarck: I just want to sum up everything that we have talked about, from your question to your concluding remarks, to Harry, your comment on the engagement of the population. All of these things happen at all levels of government. What the federal government is facing right now is they need to engage the cabinet in the crisis but they need to engage border patrol agents, customs agents. These are officers in the crisis. That is only going to happen using these techniques where you actually involve the employees of the government in the reforms of the government because not only do they know where the money is being lost. They know where the security problems are. They know where the officers are, etc. When the employees are unionized, you can engage them through their unions. If not we simply engage them directly but you have to have that desire to direct engagement with the front line of the government for reinventing government to work and the reason is that these are big organizations and big organizations learn at the edges. They don't learn at the top. The learning takes place from the edges. So if you can't capture the lessons of a learned border patrol on the Canadian border, if you can't capture the lessons of a front line social worker who is out there, if you can't capture the lessons from people trying to run a train system, then you can't in fact make the changes that are fundamental and real and it is not just a matter of doing this for show to get their political support to buy off their unions because if you are going in or not, A, they are going to see right through you. B, you are not going to learn from them what they in fact know. So I think that that is the challenge that we all identified here and it is the challenge that is happening at every single level of government today.

Jones: Thank you. I want to just conclude by thanking again our friends at the Parker House, David Tebaldi, the head of the Mass. Foundation for the Humanities and his staff for their cooperation, the panel. You guys have been wonderful. We could not have had a better group of people. I am sorry, for all of us policy wonks, we could keep going all day, we know, but thank you for taking the time. [Applause]