

Paul Posner  
703-993-3957 (o)  
703-631-1445 (h)  
pposner@gmu.edu

## PUAD 729

### Third Party Governance

**Goals:** As government at all levels have been called upon in the past half century to expand their roles in the social and economic life of the nation, they have been challenged to develop programs and services that go well beyond their own capacities, resources and legitimacy. Accordingly, policymakers and agencies have adopted a wide range of tools which distribute responsibility and authority for financing and results across a variety of independent third parties, including state and local governments, nonprofits and private companies. The modern government program now deploys a wide range of more indirect governance tools, including grants, contracts, credit, insurance, and regulations to leverage the participation and compliance of these sovereign “partners”. The model of a hierarchical organization that controls the policy formulation, financing and implementation of programs has largely been cast aside in the last half century of governmental change in the world of practice.

As challenging as managing public programs in large organizations is, managing across boundaries is an order of magnitude more difficult because the policymaker and administrator not only has to marshal the support of their own organization, but also find ways to incentivize, stimulate, cajole, enable, or perhaps even mandate participation by independent third parties who answer to different constituencies and subscribe to widely different priorities and values. Put simply, succeeding in these collaborative management environments requires different skills and disciplines than those with more traditional environments. This new environment entails a shift from management and control skills to “enablement skills” required to engage multiple partners in collaborative governance projects and programs. It also requires shifting the unit of analysis for public administration and policy from organization to tool and networks.

The primary purpose of this course is to acquaint students with the implications

of these developments for public administration. The course will complement the Introduction to Public Administration, PUAD 502, by emphasizing the unique environments, models and skills required to understand and operate in a world of practice characterized by many as “third party governance”. Specifically, the course focuses on the tools used by governments to achieve objectives involving implementers from other governments and sectors of the economy. Principal tools examined are grants, regulation, credit, tax expenditures and privatization. Students will be encouraged to think about the implications of the choice and design of tools for particular policy cases or issues.

**APPROACHES:** General lectures will be presented by the instructor to orient students to the broad literatures on federal tools and roles. Significant student participation will be encouraged during these lectures. More specific opportunities for student participation will be structured in the following three areas:

--Reading logs will be due on selected The logs will address a key question about several related readings. Logs will be no more than two pages.

--Members of the class will form small groups to research and present findings for specific projects discussed in the course syllabus below. Size and number of projects will be adjusted based on enrollment. The projects are designed to apply the general theories and literature discussed in class and the readings to a specific area of controversy for each major tool area. Students will be asked to present their findings in the week where the specific tool addressed in their case is being discussed. The students will be expected to research these areas as a group and will be judged based on their presentation, quality of thinking and their work as a team.

--A final exam will be handed out as a take home to be returned within a week to test the students' thinking about the material presented.

Grades will be based on performance in the logs, group presentations, final exam and class participation.

## **Class Case Study Projects**

Class projects will address the following tools: grants, tax expenditures, privatization and contracts, regulation, vouchers and credit. The following topics are strongly suggested as topics

--Privatization – the use of private contractors as guards, interrogators, and other quasi military functions In Iraq: effective performers or accountability cop out?

--Grants – Are federal grants for homeland security designed and managed to promote effective preparedness by first responders?

--Tax expenditures – Is access to higher education promoted by the various tax subsidies for higher education, most notably the Hope tax credit and lifelong learning tax credit and what second order effects are being experienced?

--Regulation –What strategies is the SEC using to prevent another 2002 series of corporate fraud and will it work?

--Regulation – How has the federal government sought to regulate the polling place to “prevent another Florida” through the Help America Vote Act” and what are the intergovernmental, fiscal, equity and other issues posed by this reform?

--Vouchers – What is the current and potential future role for vouchers for Medicare and what are the intended and potential unintended consequences for seniors’ health care, federal budget, health care providers and other interests in the system?

Each project will be a team project. The group will be expected to present in class with a powerpoint presentation to help educate the class about that tool. A final examination question will be asked about the project and each member of the group will be expected to provide their own individual observations.

The kinds of issues that the group should address include

--Generic issues associated with the tool they are examining and how they are illustrated in the particular case

--Discussion of how the tool is designed and managed, the third party regimes associated with managing the tool and their collective impact on the performance of the area in question?

--Political constraints and resources surrounding the design and implementation of the tool and consequences for the current design and future changes.

--Proposed reforms, if any, the group can agree to in the design of the tool or the management and implementation.

### **Texts Required**

Lester Salamon, ed. The Tools of Government (New York, Oxford University Press, 2002)

John Donahue, The Privatization Decision (New York, Basic Books, 1989)

Pearl Eliadis, Margaret M. Hill and Michael Howlett, Designing Government (Ithaca, N.Y., McGill-Queen's University Press, 2005)

### **Schedule of Topics**

**Weeks 1-4** Domestic Policy Implementation: Overview of the Exercise of Public Power in the United States and the Tools Used to Implement National Goals

Purpose: Provide a general background on literature on government tools used to carry out the federal role in domestic policy. Specific areas covered will include

--Discussion of the implementation process in public management history and

--Alternate perspectives on the advantages and disadvantages of third party government in general will be presented by students based on readings.

--Discussion of the history and development of the federal role in domestic policy, including assessing the match between criteria advanced by various social scientists and the reality of federal program development.

--Discussion of several alternative taxonomies of tools

--Development of going-in hypotheses over how various tools meet effectiveness, efficiency and equity criteria. Variables affecting the appropriateness and performance of tools will be discussed.

### Readings:

Woodrow Wilson, "The Study of Administration", Political Science Quarterly, June, 1887

Norton Long, "Power and Administration" Public Administration Review (Autumn, 1949)

Lester Salamon, "The New Governance and the Tools of Public Action", Chapter 1 in Salamon, ed. The Tools of Government

Donald Kettl, "Managing Indirect Government", in Salamon, ed., The Tools of Government

Paul Posner, "Accountability Challenges of Third-Party Government", in Salamon, ed., The Tools of Government

Eliadis, Hill and Howlett, Chapters 2, 4, 5 and 6

Lorraine M. McConnell, "Policy Design as Instrument Design", paper presented at 1988 American Political Science Association meeting

Robert Stocker, "A Regime Framework for Implementation Analysis: Cooperation and Reconciliation of Federalist Imperatives", Policy Studies Review, (Autumn, 1989)

Paul A. Sabatier and Daniel Mazmanian, "A Conceptual Framework of the

Implementation Process”

Eugene Bardach, “On Designing Implementable Programs”

Peter deLeon, “The Missing Link Revisited” Contemporary Implementation Research”

Allen Schick, “Contemporary Problems in Financial Control”

### **Logs:**

Due Week 2 - Compare and contrast Woodrow Wilson's views of administration with those of Norton Long's. How would Wilson view the tools of government and the role of third party implementers in carrying out national policy versus Long?

Due Week 4 - Take a major issue that you had strong views about or worked with involving a third party governance issue, e.g. use of private contractors in Iraq, implementation of school testing under No Child Left Behind Act, or any other issue you care about. Discuss how the readings helped you better understand the nature of the issue – draw on three of the readings in this section

### **Weeks 5-6 Grants as a Policy Tool**

Purpose: To stimulate thinking about the design and impacts of alternative forms of federal assistance provided to implement national goals

Approach: General classroom lecture and discussion based on readings and presentation of case study on June 9 by student group. Specific issues covered

- Discussion of the history and evolution of the federal grant in aid system, including the rationale for categorical grants as well as the emergence of block grants as an alternative policy instrument

- Assessment of the effectiveness of federal categorical grants in promoting federal programmatic objectives and the equitable allocation of

funds; discussion of their impacts on state and local decisionmaking, priorities and management

--The rationale and track record of block grants and discussion of prospective consequences

--Broader proposals to devolve major areas of domestic policy to the states or localities

### Readings:

David Beam and Timothy Conlan, "Grants", in Salamon, ed. The Tools of Government

Office of Management and Budget, Analytical Perspectives: Budget of the U.S. Government, Fiscal Year 2005, Chapter on Aid to State and Local Governments

Richard P. Nathan, "State and Local Governments Under Federal Grants: Toward a Predictive Theory", Political Science Quarterly (Spring, 1983)

Helen Ingram, "Policy Implementation Through Bargaining: The Case of Federal Grants-in-Aid", Public Policy (Fall, 1977)

Paul Posner, "What Washington Should Know and Why It Should Know It"

Paul Posner and Margaret Wrightson, "Block Grants: A Perennial, But Unstable, Tool of Government"

### **Logs:**

Due Week 7 - Use OMB's Analytical Perspectives on grant portion of the budget to discuss the most important trends you see in the past 30 years in grants to state and local governments.

## **Week 7 - Regulation and National Exhortation as Policy Tools**

Purpose: To assess the causes and consequences of regulation and forms of national exhortation/standards as tools to achieve federal objectives

Approach: General classroom discussion with student presentation of logs on selected readings. Issues covered will include:

--What are the trends in the use of federal regulation as a tool? What types of activities are most commonly subject to regulation and what kinds of strategies are used by federal programs to achieve regulatory goals?

--What kinds of impacts and consequences have been reported for intergovernmental regulation? How successful have different kinds of regulation been in achieving federal policy objectives and what variables affect regulatory implementation? What kinds of impacts have regulation had on the state and local sector?

--What is the scope and prospects for recent efforts to reform and constrain regulation? Specifically, how successful are recent efforts to roll back specific regulatory programs and intergovernmental regulation in general likely to be?

--What kinds of national leadership techniques are available to the federal government that are less prescriptive than regulation? What are respective roles of research, national guidance, voluntary standards and the "bully pulpit" in attaining federal objectives?

### Readings:

Lester Salamon, "Economic Regulation", in Salamon, ed., The Tools of Government

Peter May, "Social Regulation" in Salamon, ed., The Tools of Government

John Kincaid, "From Cooperative to Coercive Federalism", The Annals, 1990.

Janet Weiss, "Public Information", in Salamon, ed. The Tools of Government

Eliadas, Hill and Howlett, *Designing Government*, Chapter 12 and 14 – risk management and environmental regulation

### **Logs:**

Due Week 8 - You are staff to a top policymaker in the U.S. Environmental Protection Agency. She has asked you to discuss options for a federal program regulating the exposure of the nation's schools to radon in the ground and water. Provide a discussion of the options and issues based on the readings above.

### **Week 8 – Midterm**

### **Week 9 TAX EXPENDITURES**

Purpose: To explore the potential for alternative financing of domestic policy initiatives through the tax code

Approach: Classroom lecture and discussion as well as student presentation. Specific issues to be covered include;

--What are tax expenditures and how are they used at the federal level?

--What have been the principal design issues with the use of tax expenditures to achieve federal policy objectives? What are the advantages and disadvantages when compared to other policy tools?

### **Readings:**

Government Accountability Office, Report on Tax Expenditures, 2005.

Christopher Howard, "Tax Expenditures" in Salamon, ed., The tools of Government

Joseph Cordes, "Corrective Taxes, Charges and Tradeable Permits", in

Salamon, The Tools of Government

Office of Management and Budget, "Tax Expenditures" in Analytical Perspectives, 2005 Budget, Chapter on tax expenditures

**Class project:** Students will be divided into hypothetical income groups and asked to fill out a mock tax form to observe the impacts of tax expenditures on taxpayers with differing incomes and economic circumstances.

## **Week 10 LOANS AND LOAN GUARANTEES**

**Purpose:** To assess the design and implementation issues involved in federal loans and loan guarantee programs

**Approach:** Classroom discussion and lecture with student presentation of reading long. Guest lecturers will be invited to discuss their expert perspectives on these instruments. Specific issues to be covered include:

- What is the rationale for loan and loan guarantee programs and where are they most frequently deployed at the federal level?
- What are the common advantages and problems experienced with this tool across different federal program areas?
- What are the specific issues involved with credit programs in the education area and what design options exist to address these issues?

### Readings:

Thomas Stanton, "Loans and Loan Guarantees", in Salamon, ed. The Tools of Government

Office of management and Budget, Analytical Perspectives, FY 2005 Budget, Chapter on credit and insurance

Our guest lecturer for the credit section will be Thomas Stanton, private attorney and expert on governmental loan and loan guarantees will address some of the broader design and accountability issues involved.

## **Weeks 11 and 12 PRIVATIZATION AND OTHER MARKET-BASED TOOLS**

**Purpose:** To explore the potential and pitfalls of alternatives to the public delivery and provision of services, with an emphasis on privatization, vouchers and other market-based instruments

**Approach:** Classroom discussion, presentation of reading logs, and presentation of a project by a group of students. Specific issues to be covered include

--What are the different forms of privatization?

--What are the potential consequences of various privatization options for efficiency, responsiveness and accountability?

--What are the opportunities for privatizing federal programs? What are the issues that should be considered when designing privatization initiatives?

### Readings:

John D. Donahue, The Privatization Decision, 1988. selected chapters.

Steven Kelman, "Contracting", in Salamon, ed., The Tools of Government

Ruth Hoogland DeHoog and Lester Salamon, "Purchase-of-Service Contracting", in Salamon, ed. The Tools of Government

Eugene Steuerle and Eric Twombly, " Vouchers", in Salamon, ed., The Tools of Government

Robert Poole, Reason Foundation, "Opportunities for Privatization of Federal Programs", Testimony before House Budget Committee, 1995.

Thomas H. Stanton, "The Administration of Medicare: A Neglected Issue"

**Logs:**

Due Week 13 – Assess a contracting proposal that you have become familiar with either in your job or from the news more generally. Discuss whether and how the readings have provided you with new insights and views on the privatization decision involved in the case you have selected.

**Weeks 13 – Reforming the System**

Purpose: To assess the overall efficacy of third party government and major proposals to reallocate roles and responsibilities across governments and sectors. Proposals to be examined will include

- Devolution to the states of major responsibilities
- Privatization of social insurance
- Infrastructure finance and delivery

Instructor will lead the class in discussion of how to evaluate major reforms.

Readings:

Alice Rivlin, Reviving the American Dream excerpts

Government Accountability Office, Primer on Social Security Reform

Congressional Budget Office, Report on Amtrak Reform

**Week 14 – Final exam**

.....

Students are responsible for observing the University's honor code. Cheating and attempted cheating, plagiarism, lying and stealing of academic work and related materials constitute Honor Code violations which will be reported to the University's Honor Committee.