

COMMON SENSE GOVERNMENT

WORKS BETTER
& COSTS LESS

Vice President Al Gore

Third Report of the
National Performance Review

Common Sense Government

Works Better and Costs Less



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Contents

Introduction	1
Calling in the Real Experts.....	1
There’s a Wrong Way and a Right Way	2
Reclaiming Government “For the People”	2
Delivering the Goods at Last.....	6
It’s Never Finished.....	6
1. A Government That Makes Sense	11
The Real Business of Government	12
Americans Want a Government That Works Better, Costs Less.....	13
Why We Have a Federal Government	14
How Things Got Out of Hand	16
Failing to Change With a Changing World.....	16
Going By the Book	18
Re-creating Common Sense Government	20
Notes	21
2. Getting Results	25
Results, Not Rules.....	27
What Americans Want: Fewer Rules, More Sense	28
It’s Not So Much the “What” as the “How”	28
Get Rid of Bad Rules and Make Good Ones Easier to Understand....	29
Make It Easier for Us to Do What Needs to Be Done	32
Assume We’re Honest, Not Dishonest; Intelligent, Not Stupid	33
The Results: Working Better and Costing Less	34
Progress Report: Cutting Obsolete Regulations, Pointless Paperwork	36
Progress Report: Rewarding Results, Not Red Tape.....	39
Progress Report: Getting Out of Washington, Creating Partnerships.....	41
Progress Report: Negotiating, Not Dictating.....	45
The Road Ahead	46
Notes	47

3. Putting Customers First	49
The Service Revolution	51
What Americans Say Good Service Means	52
Ask Us What We Want	52
Don't Tell Us "That's Not My Department"	53
Treat Us With Courtesy, Respect . . . and Enthusiasm	54
Make It Easy	55
Provide Reliable, Timely Help	55
The Results: A Government That Serves	56
Progress Report: Asking and Listening	57
Progress Report: Establishing Customer Service Standards	59
Progress Report: Benchmarking the Best in Business	59
Progress Report: Using Technology to Serve Customers Better	62
Progress Report: Measuring and Rewarding Service	62
The Road Ahead	65
Notes	67
4. Getting Our Money's Worth	71
What Americans Want: A Businesslike Government	71
Stop Doing Unnecessary Things	72
Buy Smart	75
Hold Government Accountable	75
The Results: A Smaller, Better, Faster, Cheaper Government	75
Progress Report: Reducing, Eliminating, Spinning Off Programs	77
Progress Report: Using Best Management Practices	80
Progress Report: Measuring and Benchmarking the Best in Business	82
Progress Report: Partnering With Business	83
Progress Report: Selling Obsolete Inventory	84
The Road Ahead	85
More Measurement, More Accountability	85
More Competition, More Privatization	86
Notes	87
5. Conclusion	91
Making "Good Enough for Government Work" Mean "Best"—Again	91
A Matter of Trust	92
Personal Responsibility	93
Notes	93
Appendices	
A. Status of Major Recommendations by Agency	95
B. Status of Major Recommendations Affecting Governmental Systems	109
C. New Recommendations by Agency	119

D. Regulatory Reform Efforts141
E. Summary of Savings to Date149
F. Presidential and Congressional Actions Taken153

NPR Products and Resources159



Vice President Gore presents last year's status report on the National Performance Review to President Clinton, September 14, 1994.

Introduction

People said it couldn't be done. When President Bill Clinton announced in March 1993 that "the federal government is broken and we intend to fix it," the old hands in Washington, D.C., shook their heads. You'll never fix the federal government, they said. Been there, done that, doesn't work.

When he announced a governmentwide initiative to "reinvent government" called the National Performance Review, the skeptics raised a collective eyebrow.

And six months later, when the National Performance Review's first report—*From Red Tape to Results: Creating a Government that Works Better and Costs Less*, the blueprint for reinvention—was published, they sighed, "Another report for the shelf."

But they didn't count on the experts President Clinton called in to run the show.

Calling in the Real Experts

If you want to make a real change, you have to engage the people most likely to be affected—the ones who are already involved and who have the most at stake in getting the job done right. You have to seek their advice and give them the power to fix what they—more than anyone else—know needs fixing.

The bigwigs who said the federal government couldn't be reinvented had never talked to the real experts. When they said it couldn't be done, they didn't count on the folks who had been wanting the chance to do things right for years, the folks who had been trapped between the needs of the American people and the rigidity of the government bureaucracy.

- They didn't count on Bill Freeman, the Occupational Health and Safety Administration's man in Maine. Freeman's inspection team won award after award for finding and fining worker safety violations, yet he knew injury rates weren't improving. So he sat down with the companies with the most injuries, and negotiated agreements that would really work. Now, the companies' own workers are finding and fixing *14 times* as many hazards as Freeman's people could have found. Worker injuries are dropping, and it's costing less.
- They didn't count on Bob Molino, director of procurement for the Defense Logistics Agency. Molino got fed up with 700-page specifications for

REINVENTING GOVERNMENT: A HISTORY

On March 3, 1993, President Bill Clinton asked Vice President Al Gore to lead the National Performance Review, a campaign to reinvent the federal government. Milestones:

- September 7, 1993, Vice President Gore presents 384 recommendations in the report *From Red Tape To Results: Creating a Government That Works Better and Costs Less*.
- September 14, 1994, first year *Status Report* published.
- September 20, 1994, *Putting Customers First: Standards for Serving the American People* published—the government's first-ever customer service standards.
- September 7, 1995, publication of *Common Sense Government: Works Better and Costs Less*, describing the impact of reinvention on the American people and their government and presenting more than 300 *new* recommendations.

chocolate chip cookies, massive and costly inventories of unused supplies languishing in government warehouses, and a rigid and senseless system of sealed bids for selecting suppliers. He keelhailed the whole system. Now Defense buys many of its supplies from normal commercial suppliers like everyone else does. And it's using an electronic purchasing system so simple and inexpensive that other agencies are asking Defense to handle their purchases too.

- They didn't count on Neil Jacobs, of the Immigration and Naturalization Service in Dallas. Jacobs decided it was crazy to surround a factory and arrest and deport immigrants with fraudulent papers. This only crippled the business that had unknowingly hired them—and the workers themselves simply returned a few weeks later. Now, Jacobs meets with the business owner, arranges for legal replacement workers at the same wages, and *then* deports the illegal immigrants—protecting the business and filling the vacancies the illegal immigrants might try to come back to claim. At last, business owners feel helped, not harassed.

Don't believe it? Then believe the Ford Foundation and John F. Kennedy School of Government at Harvard, which named these and other federal reinvention initiatives as finalists for the prestigious Innovations in American Government awards this year.

There's a Wrong Way and a Right Way

Sure, people have tried to reform the federal government before—almost a dozen times this century, and almost always unsuccessfully. But most of these earlier attempts went nowhere because they were done backwards: from the top down instead of the bottom up. They didn't ask for ideas from the American public—or from the federal government's own front-line workers, who try to serve the public every day. Most often, the efforts consisted of studies led by outsiders with no real stake in the results.

Doomed from the start, they failed. It could hardly have been otherwise.

As frustration with the federal government has mounted, some people, including many in Congress, have decided that the way to fix government is just to eliminate as much of it as possible. That might help bring the budget into line—or it might do no more than shift around a lot of organizational “boxes.” Much of the government would then simply continue operating as it always had.

The main problem with taking an axe to the federal government is that it won't fix what remains. Government would be smaller, but it would still be as inflexible and bureaucratic. Cutting may treat a couple of symptoms, but it won't cure the disease.

Reclaiming Government “For the People”

Americans are frustrated, irritated, confused, even angry about our government—about the cost, and the hassle, and the inflexible rules, and the uncooperative attitude. But we're even angrier that our great dream seems to be slipping

REINVENTION AT A GLANCE

Reinvention Is Well Under Way

- Agencies have completed nearly one-third of NPR's original recommendations; of the remainder, nearly all are well under way.
- More than 200 agencies have published customer service standards.
- Agencies have created nearly 200 "reinvention labs" to test new approaches to business.
- The President has issued 30 directives to implement NPR recommendations.
- Agencies have formed more than 400 labor-management partnerships with their unions.

Government Costs Less

- \$58 billion of NPR's \$108 billion in savings proposed in 1993 are already locked in.
- \$4 billion in NPR-related savings are pending before Congress.
- \$46 billion in savings are still to come, based on 1993 proposals.
- Agencies have put in place \$10 billion in reinvention savings beyond the recommendations made in the original 1993 report.
- Federal employment has dropped more than 160,000; reductions are nearly a full year ahead of schedule.
- More than 180 new recommendations will result in an additional \$70 billion in savings over the next five years.

Government Is Becoming Less Intrusive

- Agencies are sending 16,000 pages of obsolete regulations to the scrap heap, of 86,000 pages of regulations reviewed.
- Agencies are reworking another 31,000 pages of regulations.
- Regulatory and administrative burdens on the public will be reduced by nearly \$28 billion.
- Attitudes are changing; in many cases, fines will be waived for honest mistakes.
- Agencies are closing more than 2,000 field offices.

Congress Is Helping

- Congress has enacted 36 NPR-related laws, including the biggest procurement streamlining bill ever, with a second in progress.
- Congress has passed 66 of the 280 NPR items requiring legislation (24 percent).
- Nearly 70 NPR-related bills are currently pending in Congress.
- Congress has held more than 120 hearings on various NPR recommendations.

away—the dream of a government that is “of the people, by the people, and for the people,” a government that isn’t “them” but “us.” And we don’t want to give up on that dream. It is what set us apart from the rest of human history nearly 220 years

REPORT AT A GLANCE

A Government That Makes Sense

America was born angry at government nearly 220 years ago, and we're no different today. The less government there is, the more we like it—until disaster strikes, or we lose our job, or need medical care we can't afford. Then we want government to be there for us, and quickly.

For years, Americans had been complaining their government was in their face, not on their side. That was then. This is now: throughout government, front-line workers are asking their customers what they need, instead of telling them. They are beginning to manage the work of the people like the best in business. Federal Agencies are actually getting fan mail. Social Security's "800" number is rated better than L.L. Bean's for customer service.

Along the way, government is getting smaller. As a result of actions taken on recommendations made in 1993, there are more than 160,000 fewer federal workers than when President Clinton and Vice President Gore took office. It is becoming smaller daily. Savings totaling \$58 billion are locked in. Another \$50 billion are on the way.

Americans have waited a long time for a government that makes more sense. Out of frustration, some have proposed scrapping large portions of it. But this isn't what the people say they want. Polls show Americans are angered less by what government does than by how it goes about its business. We want it better managed. We want it to use common sense.

Getting Results

People want to do the right thing. Problem is, the government makes it almost impossible to figure out what the right thing is. So President Clinton challenged federal agencies earlier this year to overhaul in 100 days the way the government regulates people and businesses—by focusing on results, not red tape.

He asked agencies to assume people are honest, not dishonest, and intelligent, not stupid. He asked that rules be written in plain language and that obsolete rules be dropped. He asked that agencies get out of Washington, create partnerships with those being regulated, and negotiate, not dictate. As a result, of the 86,000 pages of federal regulations reviewed so far, 16,000 pages of obsolete regulations are headed for the scrap heap. Another 31,000 are being reworked. Agencies held more than 300 meetings around the country and identified 40 instances where negotiating made sense. Agencies are beginning to evaluate their employees' performance based on results, like reduced worker injuries, and not on the number of fines or penalties assessed. In the process, they are reducing regulatory and administrative burdens on the public by nearly \$28 billion.

Putting Customers First

Last year, in many cases for the first time, federal agencies asked their customers what they wanted and how they defined good service. They used these

ago, when we declared independence from England, and it's what we stand for throughout the world today.

And while the great debate continues over what government should do, we know what basics we expect to get: protection from enemies here and abroad, clean

results to develop customer service standards. Then more than 200 agencies did something most businesses don't do—they published their standards and distributed them to their customers. Just recently, agencies surveyed their customers to find out how well the government is living up to those standards, and they will use the responses to improve service even more. In addition, several agencies are comparing their operations to the best in business—and increasingly are beating them.

Getting Our Money's Worth

Obsolete government programs and waste drive Americans crazy—after all, it's their money. Since the reinventing government initiative began in 1993, the Clinton Administration has proposed eliminating more than 400 obsolete programs and is in the process of closing more than 2,000 unnecessary field offices.

But that wasn't enough. President Clinton asked Vice President Gore to launch a new effort to identify additional programs that could be reinvented, terminated, privatized, or sold. He identified nearly \$70 billion in new savings. The Energy Department will sell the Naval Petroleum and Oil Shale Reserves. The Office of Personnel Management has privatized its training operations. The Department of Housing and Urban Development will consolidate its 60 programs into four, Congress willing. The Department of Transportation plans to shrink its 10 agencies into three. And more.

In addition, to better manage its business, the government is beginning to measure what matters. Government must be accountable every day, not just every four years at the election booth. As a result, the President is signing performance agreements with his major agency heads. All agencies are developing measures of performance. And by 1998, the federal government will have its first financial statement. Americans will soon know for the first time whether they are getting what they pay for.

Conclusion

At the turn of the century, the phrase “good enough for government work” meant the best. Now it is a term of derision—much like the phrase “made in Japan” meant cheap and shoddy just two decades ago. Now “made in Japan” is a sign of the best there is in many product categories. With the hard work of federal employees, the phrase “good enough for government work” will mean the same. Already in many instances, government isn't just fixed, it's the best. Social Security's toll-free number is the best. The Air Combat Command's pharmacy is the best. The Consumer Product Safety Commission's hotline is the best. *Business Week*, *Newsweek*, the *New York Times*, and *Financial World* have noticed. For the first time, the Ford Foundation and the Kennedy School of Government will make prestigious awards to several federal agencies for their innovations.

If you haven't felt a difference yet, you will. This year. Many of the initiatives begun this past year are being expanded nationwide. The federal government will regain the faith of the American people, says President Clinton, “one customer at a time.”

air and water, food that's safe to eat and toys that are safe for our kids to play with, help in emergencies, safe workplaces, and so on. We don't want to get rid of government; we want it to work better and cost less. We want it to *make sense*.

And we're pretty clear about what common-sense government means:

- It means a government that focuses on results, that moves heaven and earth to make it easy for all of us—citizens, businesses, and state and local governments—to meet the nation’s common goals, instead of burying us in rules and punishing us when we can’t figure out how to comply.
- It means a government that recognizes that we are its customers, works with us to understand our needs, and puts us first, not last.
- And it means getting our money’s worth—a government that works better, faster, and cheaper than in the past, one that operates as well as, or better than, the best private businesses.

Delivering the Goods At Last

For two years, quietly but persistently, thousands of ordinary Americans—Americans who happen to work for the federal government—have been striving to change dramatically what the government does and how it does it. And folks who keep tabs on things—*Business Week*, *Newsweek*, *The New York Times*, and others—have been taking notice.

The *New York Times* calls it the “quiet revolution.” It’s pick-and-shovel work—hard, often tedious, but crucial. The plain fact is that if you want to change something big in a big way, you can’t get by with a little light landscaping and a coat of paint. You have to excavate and renovate. And you can’t do it overnight.

And progress is everywhere around us. In 1993, the Administration announced a goal to save \$108 billion and cut 252,000 government jobs—especially administrative jobs that don’t serve people directly—in five years. (Congress and the President later raised this last goal to 272,900.) Both tasks are ahead of schedule: savings locked into place total \$58 billion (53 percent of the goal), and job reductions total more than 160,000 (60 percent of the goal). Of the 1,250 recommendations in the 1993 blueprint, 379 (30 percent) have been implemented, 214 (17 percent) require legislative action, and 657 (53 percent) are still in the pipeline. The Administration recently developed more than 180 additional recommendations that, when implemented, will result in \$70 billion in new savings over the next five years. These savings have already been incorporated in President Clinton’s balanced budget proposal.

In addition, President Clinton has issued 30 reinvention directives on customer service, agency streamlining, procurement reform, labor-management relations, cooperation and partnerships with state and local governments, paperwork reduction, and regulatory reform, among others. And Congress has passed 36 laws to implement reinvention recommendations.

This report, *Common Sense Government: Works Better and Costs Less*, is a report to the American people on the progress of the “quiet revolution” to reinvent the federal government—what it is, how it’s going, and what it means for ordinary folks.

It’s Never Finished

They said it couldn’t be done...and it isn’t.

Reinventing the federal government isn’t an event. It isn’t an Act of Congress

REINVENTION ROLLS ON!

In 1995 NPR worked with agencies to develop more than 180 new recommendations for improving agency programs and serving customers better. Some highlights of the recommendations include:

Consolidate Operations

- Consolidate servicing of USDA's \$30 billion single-family housing loan portfolio and close some county offices to save \$250 million.
- Realign Small Business Administration operations to save \$122 million and improve service by increasing public-private partnerships.
- Eliminate a layer of management in the Department of Health and Human Services by combining the Office of the Assistant Secretary for Health with the Office of the Secretary.
- Merge the Agency for Toxic Substances and Disease Registry with the Centers for Disease Control and Prevention.

Give Customers a Choice

- Shift HUD public housing funding directly to tenants, who can determine where they want live.
- Pay Department of Labor job training grants directly to workers rather than passing funds through states or private contractors.

Increase Local Control

- Increase the State role in the Superfund Program and decrease EPA's role, saving \$283 million.
- Shift control of transportation-related spending from the Department of Transportation to the states.

Cancellations/Terminations

- Eliminate Commerce's National Oceanic and Atmospheric Administration Corps, saving \$35 million.
- Shave \$1.2 billion over five years from Energy's applied research programs, ending the Clean Coal Technology Program.
- Eliminate Interior's Office of Territorial and International Affairs, saving \$5 million.
- Abolish the Interstate Commerce Commission, saving \$129 million.

Administrative Changes

- Target Medicare Program abusers in five key states and develop a health care fraud fund to pay for investigations and prosecutions.
- Allow employees at large companies to file for Social Security benefits through their company's personnel office, to save \$289 million.
- Improve debt collection practices at Treasury, Labor, and Education to increase revenues by more than \$1 billion.

Privatization

- Convert Connie Lee from a government corporation to a fully privatized entity.
- Shift NASA's space craft communications to private sources to save \$200 million.
- Convert Sallie Mae from a government corporation to a fully privatized entity.

or a Presidential Executive Order. Nor is it something you can accomplish with a swing of the budget axe.

This effort to reinvent government, part of the ongoing National Performance Review, is becoming a way of life for employees in agencies and the customers they serve across the nation. It's like the job of painting the Golden Gate Bridge in San Francisco. The story goes that the task is so huge that by the time the painters get to the far end of the bridge, it's time to go back to the beginning and start again. It never stops. It's never "finished."

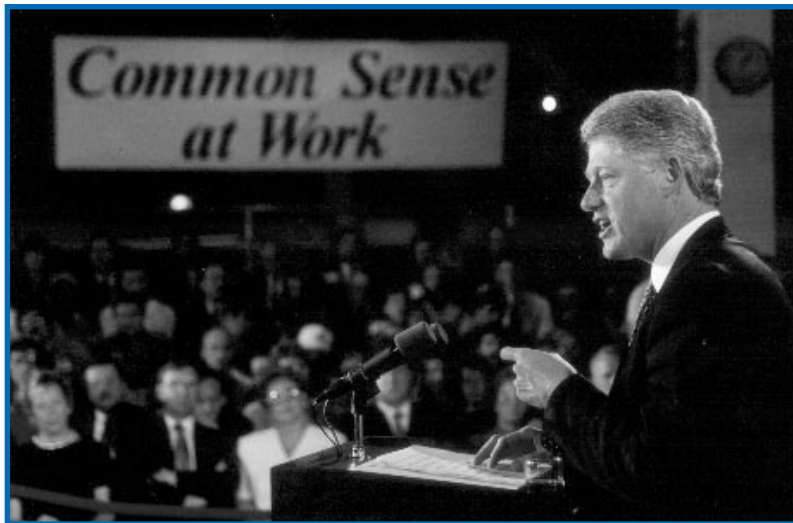
The world has become more complex, and so has our government. Yet even as the government has become more complicated, it has been slow to adapt to real changes in the world—particularly those changes driven by advances in technology and communication. Along the way, the government has become distant from the people it is supposed to serve and, occasionally, lost touch with what it was created to do nearly 220 years ago. Our nation began with a solemn covenant: that the government that we were establishing would be the people's servant—not their master.

We need to renew that covenant for the next century. That's what reinventing government is all about.

YOU ARE OUR CUSTOMER.

If you've felt a difference, let us know. If you haven't, let us know that, too.

Write to: Vice President Al Gore
Reinventing Government
Washington, DC 20501



President Clinton announces OSHA reforms at Stromberg Metal Works, Washington, D.C., May 16, 1995.

Chapter 1

A Government That Makes Sense

In framing a government...you must first enable [it] to control the governed; and in the next place oblige it to control itself.

James Madison
The Federalist, No. 40 (1787)

America was born angry at government. We were so sick of the English Crown treating us like, well, *colonies*, that we did what no career counselor today would recommend: we quit colonialism before we had something else lined up. We weren't entirely sure what we wanted—indeed, we argued among ourselves about it at length—but we knew what we didn't want, and that was to be jerked around by a distant and insensitive government.

We're no different today.

And today, once again, we feel our government has become distant and insensitive—not to mention too big, too meddlesome, and too costly. We don't much care whether it's a problem of politicians, issues, or government agencies—or even if it's federal, state, or local. It's just a problem. A big one.

Distrust of government is buried deep in America's genetic code. For more than two centuries, wave after wave of people who have been harassed or abused by their governments have seen this country as a last refuge, a haven: persecuted French Huguenots and Cambodians, Irish famine survivors and Salvadoran refugees, people fleeing Nazi Germany and Somalia. Our ancestors' distrust of authority is deeply ingrained in our national character. Take a close look at your birth certificate. Down in the fine print—after “Citizen: U.S.; Birthplace: Peoria; Eyes: brown; Blood type: B positive”—it says, “Attitude: Distrusts government.” If it's not there, it should be: it's who we are.

The less government there is, the more we like it...

Until the earth cracks open in California and people's lives crack with it. Until the rains keep raining in the heartland and people's achievements and memories disappear in a swirl of angry brown water. Until a river becomes so polluted that it catches fire. Until a child dies from a contaminated hamburger. Or until we lose a job, need help feeding our family, grow old and can't afford medical care for our infirmities, or become victimized on our own neighborhood streets. Then we want that government to be there for us, and quickly.

The Real Business of Government

The call came in to the Washington, D.C., headquarters of the Federal Emergency Management Agency (FEMA) at 9:30 a.m. on Wednesday, April 19, 1995. Twenty-eight minutes earlier, at 9:02 a.m., a bomb had exploded in front of the Alfred P. Murrah Federal Building in Oklahoma City, killing scores of government workers and the citizens they serve, and injuring hundreds more. Now Tom Feuerborne, director of the state's Civil Emergency Management Department, was on the line asking for help.

A couple of years earlier he would have been told that his governor needed to file a written request for federal emergency assistance and mail it to Washington. No longer. Four and a half hours after Feuerborne's call, at 2:05 p.m., FEMA's advance team got there, complete with damage assessors. At 8:10 p.m., James Lee Witt, FEMA's director, arrived to personally coordinate the federal response. Witt had been a state emergency services director himself and he knew the drill. By 2:30 a.m., FEMA's own search and rescue teams were on the scene to help the city's fire department.¹

Meanwhile, the federal agencies whose Oklahoma offices were shut down were working furiously to restore services for their customers throughout the region. Within hours of the blast, the Social Security Administration had arranged for its Dallas office to provide services to the citizens the Oklahoma City office served. GSA was setting up temporary office locations all over the city so federal agencies could restore their services to the public. By the next day, the Department of Labor

Can the federal government meet the needs of the American people? Without question, yes. It takes a radical rethinking of what government should do and how.

was issuing apprenticeship certifications out of an employee's home, so that construction workers' pay would be uninterrupted. The U.S. Marine Corps Recruitment office was keeping appointments in a new location. The Federal Highway Administration was operating out of the Federal Aviation Administration's offices elsewhere in the city. The Department of

Agriculture was issuing health certificates for animals awaiting export to Canada, Japan, and Taiwan so customers did not lose expensive reserved air cargo space.

Oklahoma City reminded America that "the government" isn't something separate. It is ourselves—our neighbors and friends trying to do their jobs. The bomb turned these simple acts of service into heroic acts. Yet helping people is what people in the federal government do every day.

At the same time, the event taught us that when it needs to, the government can untangle itself from its own red tape and take care of people's needs. Quickly. Efficiently. And well.

Can the federal government meet the needs of the American people? Without question, yes. Does it take a disaster for it to work right? No, it does not.

Rather, it takes a radical rethinking of what government *should* do, and *how*. The world has changed, and so have people's needs and expectations. For years, we Americans complained that the government hadn't kept up. Not only wasn't our government serving us, we said, it was hindering us—it had become so bogged

down in process that it had forgotten about its purpose. But the government hadn't gotten the message.

Now, it has. Throughout the federal government, people are taking their cue from the business world and asking customers what their needs are, instead of telling them. They're eliminating programs that are obsolete and reforming activities and agencies whose purposes are still relevant. They're streamlining and simplifying regulations. And they're managing the work of the people's government like the best in private business.

Not surprisingly, government is getting smaller. As mentioned earlier, there are more than 160,000 fewer federal workers today than there were in 1993, when President Clinton took office, and more than 2,000 offices are being closed. And that's just the beginning.

Along the way, government is also getting better. Federal agencies are actually getting fan mail. The Post Office is guaranteeing counter service within five minutes in many places around the country. The Customs Service is clearing passengers and cargo even before planes land and ships dock.

Americans Want a Government that Works Better, Costs Less

Americans have waited a long time for a government that makes more sense. Out of frustration, some—including some Members of Congress—have proposed scrapping large pieces of the system. That would be dramatic, if nothing else.

But it turns out that isn't what people want at all:

- A 1993 poll asked people whether they would prefer a candidate who would “cut the federal bureaucracy by 20 percent” or one who would “change the way government does things—cut bureaucracy, make government more efficient, and give ordinary people better service and more choices.” People overwhelmingly chose the latter—no matter whether they had voted for Bill Clinton, Ross Perot, or George Bush in the 1992 elections.²
- In a 1994 poll, after the mid-term elections, voters were asked whether it was most important to make government “smaller so it will cost and do less” or “more efficient so it delivers more services for less money,” among other choices. Only 25 percent chose the first option; 51 percent chose the second.³
- Half of the respondents in a January 1995 *Business Week*/Harris poll said the federal government “mainly needs fine-tuning to make it more flexible, accountable, and user-friendly.” And 44 percent said it “needs to undergo the same kind of dramatic restructuring and downsizing that is taking place in the private sector.”⁴
- Based on a survey they conducted together in March 1995, Democrat pollster Peter Hart and Republican pollster Robert Teeter concluded that a strong majority of Americans want more effective government and believe this can be accomplished through better management.⁵

In other words, Americans don't want the guillotine for our government. We want intensive care. Says David Osborne, co-author of the best-seller *Reinventing Government*:

*Voters want smaller government, yes, but they also want government that works. They want a government that narrows the deficit, creates economic growth, improves the schools, reduces crime, protects the environment, and helps them find the opportunities they need to succeed. They want a more efficient government, but they are desperate for a more effective government.*⁶

The bipartisan Hart/Teeter poll found that Americans still want the federal government to have primary responsibility for things like controlling immigration, helping the needy, improving education, reducing crime, and preventing air and water pollution. Surprisingly, we even think the government, not private industry, should have primary responsibility for improving jobs and the economy.⁷

At the same time, Americans also think this work should be shared with others. We think that state governments would be better than the federal government at running some of these programs, though we expect the federal government to set standards and follow up. We think individuals and community leaders bear important responsibilities in meeting our national goals. And we think the business community should be consulted more.

In short, Americans don't like big government much, and we want less of it wherever possible. Yet we also expect much from our government and have high aspirations for it. And when something personal or threatening—or both—hits home, we want our government there for us.

Why We Have a Federal Government

It is January 1991. On your way to work at Eastern Airlines' headquarters in Miami you pick up the *Miami Herald* and discover that your job's gone—Eastern has just gone belly-up. This comes as no surprise to you; you've worked for Eastern most of your adult life, and everybody's known the company's been drowning in red ink for years. Bankruptcy has been in the air for months. The surprise comes a few days later, when you discover that your pension's gone belly-up too.

When both Eastern Airlines and Pan American World Airways folded in 1991, the pensions of tens of thousands of people who had worked for these companies evaporated overnight. Luckily for them, a small government organization called the Pension Benefit

Guaranty Corporation stepped in to rescue them. Unluckily for the American taxpayer, however, the rescue cost more than a billion dollars, and the agency—like any other creditor—was able to retrieve from the bankrupt companies only pennies on the dollar. This wasn't an isolated incident, either. The pension agency now administers more than 2,000 terminated pension plans for more than 450,000 people.

Frustrated with their inability to head off such disasters before they happened, and under pressure from Congress because of the growing cost of these termina-

Americans don't like big government much, and we want less of it wherever possible. But we also expect much from our government and have high aspirations for it.

tions, the folks at the pension agency decided there had to be a better way. They created an “Early Warning Program” that permitted them to monitor the 400 largest and most troubled pension programs and negotiate with the companies involved, so that pensioners’ interests were protected *before* a company took any action that might terminate the pension fund.

Corporations responded. In the last two years, the pension agency has negotiated agreements covering more than 1 million American workers and retirees and providing more than \$13 billion in pension protection. The new approach is working better and costing less—much less. And it’s helped to change the relationship between the government and industry from adversarial to cooperative. When the General Motors Corporation, whose pension program was underfunded, proposed to sell off its highly profitable Electronic Data Services subsidiary, it didn’t wait for the pension agency to call; it called first. The company agreed to set aside \$10 billion in cash and stock to help protect the pensions of more than 600,000 workers and retirees—in advance.

You’ve probably never heard of the Pension Benefit Guaranty Corporation. With any luck at all, you’ll never need to. But if the company you work for starts playing fast and loose with your pension fund, you’ll be glad it’s on top of the case. It’s what you *expect* from your government, after all: to protect you when you can’t protect yourself.

When the United States was first created, the federal government didn’t have much to do. The framers of the Constitution planned for the national government to take care of national defense and foreign relations, define citizenship and protect the borders, regulate interstate commerce, create a postal service, and safeguard individual rights. Everything else would be handled by the states. In 1800, there were only a handful of federal departments. They were run by a secretary and a few clerks and, in one or two instances, a small field structure. There were no bureaus, no middle managers, few specialists.⁸ The country was small; things were simple.

But time, experience, and our own changing expectations gradually broadened the scope of the government’s responsibilities. When the people needed protection from the abuses of monopolies in the late 1800s, they turned to the federal government. When the nation needed help out of the Great Depression in the 1930s, the federal government shouldered the task, creating programs to stabilize and strengthen the economy and help people in need. The international imperatives of World War II, the Cold War, and global leadership gave the federal government much broader responsibilities in national defense, trade, and foreign affairs than the Constitutional Convention could ever have contemplated. And a wide array of issues—pollution, poverty, and racial injustice, to name a few—became federal responsibilities because they could not be solved by states acting on their own. And so, with each passing year, the federal government did more and more of the people’s work.

For a long while, Americans liked what they got from the federal government. They trusted it to do the right thing and to do it well. In 1963, more than three-quarters of all Americans said they believed the federal government did the right thing most of the time.

But today that figure has dropped to less than 20 percent.⁹ Many of us don’t respect our government anymore; we resent it. We don’t feel protected by our gov-

ernment; we feel hassled by it. We don't feel served by our government; we feel suffocated by it. A government that was supposed to preserve our liberties seems bent on proscribing them at every turn. And, to add insult to injury, the whole thing costs way too much.

How Things Got Out of Hand

It's said that the road to hell is paved with good intentions. There may be no better illustration than the U.S. federal government.

For example, to ensure that politicians don't abuse the public trust and pack government agencies with their cronies, or that federal bureaucrats don't treat government workers unfairly, the government has created 100,000 pages of laws, executive orders, rules and regulations, and agency directives to cover every conceivable personnel decision.¹⁰ These were "summarized" in a 10,000-page Federal Personnel Manual, finally abandoned last year. If you wanted to hire people for federal jobs, you'd have been wise to choose young applicants; they'd mature while they waited for you to go through all the required steps.

To ensure that private businesses don't rip off the taxpayer when the government hires them to do the people's work, the government has created procurement rules—thousands of pages of them—so stupefyingly difficult, time-consuming, and costly to follow that many good companies won't even bother to bid. Do you work for the federal government and need a computer to do your job? Chances are that by the time you get the model you requested, the technology will be out of date—and you'll still pay the full retail price.

And to ensure that state and local governments don't subvert the will of Congress and use federal dollars the way *they* think best, the government tied up the funds and programs with restrictions. The knots are so tight that state and local officials often have no flexibility to meet federal goals in ways that make sense locally.

All in all, the Code of Federal Regulations—the government's rulebook—is enormous. If you want a copy for your library, you'll need a shelf *21 feet long*.

The reasons for this overgrowth of rules are remarkably simple.¹¹ As a matter of political philosophy, we moved away from limited government toward an activist government that we expected to serve as both a national "nanny" and a national police officer. As a matter of governmental practice, we wanted to protect against corruption, treat everyone fairly, and safeguard the common interests of the people. So we created rules to make sure the government makes no mistakes, takes no risks, tolerates no uncertainty. The result was galloping bureaucracy and stifling regulation.

We made these decisions. Not some faceless bureaucrat or power-hungry politician, but we the people, through our elected officials—presidents, senators, and congressional representatives, Republicans and Democrats alike. And while the world around us changed, our government stuck steadfastly to the rules—whether they made sense anymore or not.

Failing to Change with a Changing World

In fact, the proliferation of rules is really only a symptom of the government's trouble, not its cause. The basic problem is that the government has plodded along single-mindedly, answering each new question with yet another rule, but failing to

A VACUUM-TUBE GOVERNMENT IN A MICROCHIP WORLD

Twenty years ago, “Pong” was the latest thing in video games. In fact, it was the *only* thing. Eight-track tapes were the latest thing in music. Fax modems and cellular phones didn’t exist. Airline travel was a luxury, and the Boeing 707 was the workhorse of the air.

Today, we’ve gone from 707s to 777s that are so technologically advanced that they can take off, fly, and land virtually on their own. And though they’re bigger than ever, they’re also cleaner and quieter than ever.

Yet while a single aircraft now carries computer systems that rival all the computers that existed in the world a few decades ago, our air traffic control system—the system that controls all those airplanes—still relies on the technological equivalent of Pong.

In many of the nation’s busiest air traffic control centers, controllers peer at green radar screens that haven’t changed much since World War II. Technicians nurse along ancient mainframe computers that take up an entire room but have only a fraction of the power of a modern laptop. Parts of the system run on vacuum tubes, a technology that was obsolete 30 years ago. And it breaks down—a dozen times this year alone. All told, the system’s inefficiency costs billions of dollars each year in wasted aircraft fuel, delays, missed connections, and labor—some \$3 billion in imposed costs, according to the airline industry. That’s more than the industry has ever made in profit in a year.

Why aren’t these relics in a museum, instead of controlling the flights of half a billion passengers a year? Because the Federal Aviation Administration, which runs the air traffic control system, faces a unique and virtually impossible task. Despite the fact that the FAA literally controls the minute-by-minute activities of one of the country’s flagship industries, it has none of the tools that have made U.S. companies in that industry the world’s best. While the FAA needs to be able to plan for demand a decade or more away, it doesn’t even know what its budget will be the next year. Although it has an annual revenue stream of more than \$5 billion, it can’t leverage one dime, and must pay for all of its equipment in cash and up front. And even with money in hand, the agency faces procurement rules so cumbersome that “new” systems are usually already obsolete by the time they’re brought on-line.

Even so, thanks to the efforts of the Federal Aviation Administration’s dedicated controllers, technicians and managers, our air traffic control system is still the safest in the world. However, growing demand, aging equipment, and shrinking budgets threaten FAA’s ability to keep it that way.

When President Clinton took office, he quickly recognized that the status quo wouldn’t fly. Under the leadership of Transportation Secretary Federico Peña and Administrator David Hinson, the FAA overhauled its massive air traffic control modernization program, ensuring that some new equipment will be delivered before the end of this decade and saving taxpayers an estimated \$1.5 billion. In the interim, the agency is taking extraordinary steps to maintain the current equipment until the new systems are in place.

Improving hardware and software is still a stopgap measure, however. The real solution would be to fix the underlying cause of the problems. The FAA should be given the same tools to provide air traffic control services that those who use the system already rely on. That’s exactly what the federal government’s reinvention team has proposed—to create a businesslike government-owned corporation, funded by user fees and working outside of traditional governmental constraints.

Vice President Gore and Secretary Peña displayed the FAA’s vacuum tubes over a year ago to dramatize the need for change. The Speaker of the House echoed that call. There is now growing consensus in Congress on the need for personnel and procurement reform; any serious attempt at reform, though, must also address the financial future of the FAA. In the meantime, the airlines and the flying public are stuck in a holding pattern, waiting for the government to catch up.

recognize that the world around it had gone in a different direction.

The middle of this century—when we formed much of our vision of what government should do and how—was the pinnacle of the Industrial Age. Not surprisingly, the model we chose to follow was the great American corporation, where policy was decided by top executives, interpreted by mid-level managers in carefully segmented corporate divisions, and carried out by workers divided into narrow specialties, following detailed work specifications and mass-producing identical products of reliable, if unexceptional, quality.

It was said that “What’s good for General Motors is good for the nation.” And indeed, that system carried us to almost unimaginable levels of productivity and prosperity.

But by the 1970s, what was once good for General Motors wasn’t even good for General Motors anymore. The world had changed. People weren’t willing to accept “good enough” any more; we wanted the best. We wanted variety, choice, quality, convenience, and service. And with information on almost anything immediately accessible to almost anyone, we knew what the best was. Almost overnight, America had gone from a *producer* economy to a *consumer* economy—we had moved from the Industrial Age to the Information Age.

A lot of major corporations, General Motors included, were slow to respond and struggled to stay in business. Others—companies that were more flexible and

Almost overnight, America had gone from a producer economy to a consumer economy—we had moved from the Industrial Age to the Information Age.

moved more quickly to meet rapid changes in consumer demands—thived. Eventually though, even the Big Three automakers turned around. In 1958, for example, you could buy 21 makes of cars from ten car makers; by the 1990s, you could choose from more than 570 car, van, and truck models.¹² What’s more, you could review their features, get information on their safety, and even

do price comparisons by personal computer in the comfort of your own home. The consumer insisted on being in the driver’s seat, and corporations changed accordingly.

But the federal government was still operating on the producer model, not the consumer model. Decisions were still made at the top, interpreted into rules and regulations by mid-level bureaucrats distant from customers and from each other, and carried out by public employees in narrow line agencies and field offices—whether they made sense or not. Change, if it came at all, came very slowly indeed.

Going By The Book

The federal government has done things the way it has in the past for generally good reasons. On the taxpayers’ behalf, it wanted to prevent abuse—unfairness, arbitrariness, corruption, willful bias—by its own employees, by companies it hires, and by other governments. It went by the book and demanded that everyone else did too.

But the price was high. Certainty was achieved, but in a rapidly changing world, “certainty” became inflexibility. Fairness was achieved by treating everyone equally, but in a world full of compelling individual situations, “fairness” became unresponsiveness. Bias was avoided by making sure local officials and front-line fed-

eral employees couldn't make discretionary decisions—even though they knew best what needed to be done—and by punishing them when they did. The result was a system that hobbled users and abusers alike, treated adults like children, and made everyone a suspect.

It also put the government's customers—which is to say, all of us—at the bottom of the priority list. The first priority was the rules; the second was those who checked whether the rules were being followed (such as auditors and inspectors general); the third was those who made the rules in the first place (such as Congress and interest groups). Customers came last, if at all. It was a sort of “iron triangle”—special interests told Congress what “the people” wanted; Congress passed laws, and then told the agencies what to do about them.

Perhaps the most compelling challenge we face as the next century dawns is how to redeem the promise of self-government—how to make our government make sense again.

Citizens, understandably, do not like being low in the pecking order—or worse, being ignored altogether. And honest people—whether public employees or the people they serve—don't like being treated like potential criminals. The perverse effect of “rule by rules” is that instead of reducing arbitrariness it appears to increase it; instead of fostering cooperation it destroys it; instead of solving problems it worsens them, creating bitterness and resentment along the way.

And the costs are enormous. Fragmentation, duplication of effort, and complexity run up the cost of everything government does—and everything anyone else does that is regulated by the government. It turns out that fully one-third of the entire non-postal federal workforce simply checks on, audits, and controls other federal workers.¹³

Perhaps even worse, bright and committed people who chose to be public servants find they are not permitted to serve the public. Dedicated folks struggle to operate within an antiquated system that they know needs changing, and then have to take the heat when it breaks down.

This might all have been tolerable if the government were effective at doing what it does. But there's the rub; despite the red tape, the irritations, the wasted time, and the incredible cost, the federal government wasn't getting the job done. Often it seemed like it didn't even remember what the job was in the first place. As Philip K. Howard, author of *The Death of Common Sense*, put it, “We seem to have achieved the worst of both worlds: a system of regulation that goes too far while it also does too little.”¹⁴ He could easily have said the same of the government as a whole, not just regulation.

Over the years, gradually but relentlessly, the distance between the people and the government has grown—when the whole idea in the first place was that the people and the government should be one and the same thing. As former Supreme Court Justice William Brennan once pointed out, “The characteristic complaint of our time seems to be not that government provides no reasons, but that its reasons often seem remote from human beings who must live with the consequences.”¹⁵

Perhaps the most compelling challenge we face as a nation as the next century dawns is how to redeem the promise of self-government—how to make our government make sense again.

Re-creating Common Sense Government

Let's say you're out driving one day and your car suddenly stops. You check the obvious things—the gas gauge, the temperature gauge—but that doesn't help. If you want to get to the bottom of the problem, you're going to have to look under the hood.

Then, you have three options. You can close it again and hope the problem will go away. This will keep your hands clean, but it won't get you anywhere. Or you can start yanking out pieces of equipment. This will make the car lighter and easier to push, but the chances are it won't make it run. Or you can try fixing what's broken—maybe several things. The only way to find out which things, however, is to examine the engine closely. Maybe consult an expert or two. Do a diagnosis. Experiment a bit. The disadvantage of this option, of course, is that it takes longer than simply ripping out equipment. The advantage is that it *will* get you where you want to go.

Some things are obvious. Some government programs are obsolete, or just plain silly, and can be eliminated. Over the years we've been pretty good at creating programs to solve new problems, but lousy at eliminating old ones.

In addition, some workforces are bloated and can be cut. Some field offices are

no longer needed and can be closed. You can slim down the government “from the get-go.” That's where the federal government's reinvention drive began: with the obvious—and there are more obvious things yet to do.

But “downsizing,” as they call it in the business world, isn't enough. Just like any business, any govern-

ment function that has been around a few decades needs to be re-thought. If it isn't, it loses touch with its original purpose—and with the needs of the times. It also becomes uncontrollable. As President Clinton has noted:

We know we have to go beyond cutting, even beyond restructuring, to completely reevaluate what the federal government is doing. Are we doing it well? Should we be doing it at all? Should someone else be doing it? Are we being as innovative and flexible as the most creative private organizations in the country.²¹⁶

There is a point at which program and budget cuts fly just as much in the face of common sense as business as usual. As debate rages in Congress over which agencies or programs to cut to reduce the size and influence of the federal government, it's worth noting that when a patient has a systemic disease—say, a debilitating infection—a good doctor doesn't lop off the patient's arms and legs. For one thing, all that does is weaken the patient further. More importantly, it does absolutely nothing to cure the disease.

The federal government is ailing and needs a cure. It needs to be treated systemically, not amputated or—less drastic, but no more effective—dabbed with some dubious topical salve. Even if the wholesale elimination of federal agencies and programs was what Americans wanted—and it is not—that approach would do nothing to improve what is left.

Just like any business, any government function that has been around a few decades needs to be re-thought.

Americans are quite clear about what common sense government means. It means a government that focuses on results, that moves heaven and earth to make it easy for citizens, businesses, and state and local governments to meet the nation's common goals. It means a government that recognizes who its real customers are, works with them to understand their needs, and puts them first, not last. And it means giving taxpayers their money's worth—a government that works better, faster, and cheaper than in the past, one that operates as well as, or better than, the best private businesses.

It means a government that works *for* us, not *against* us. It means a government that is in our corner, not in our face. Real cures tend to be a lot less dramatic than lopping limbs or ripping out machinery. They take time. Progress can be uneven. But in the case of reinventing the federal government, there is progress, and it's real.

Let's face it, this is the way things should have been all along. If you're a citizen, you ought to be able to expect good service from your government. If you run a business, you ought to be able to expect reasonable treatment by regulators—treatment that meets legitimate public needs without crushing yours. And as a taxpayer, you ought to be able to expect that the government, acting as your trustee, is managing your tax dollars wisely. And the federal government shouldn't expect applause when it finally straightens things out to give the American people this kind of treatment.

But the point is, this has never happened before. Despite 11 major exercises in government reform this century, there's been little lasting change.

Until now.

Notes

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2. David Osborne, "Can This President Be Saved?" *The Washington Post Magazine*, January 8, 1995, p. 14.
3. Osborne, p. 14.
4. "Are Americans Really That Angry?" *Business Week*, January 23, 1995, p. 41.
5. Report of Peter Hart/Robert Teeter poll conducted for the Council on Excellence in Government, April 12, 1995.
6. Osborne, p. 14.
7. Hart/Teeter poll.
8. Russell M. Linden, *Seamless Government: A Practical Guide to Re-Engineering in the Public Sector* (San Francisco: Jossey-Bass Publishers, 1994), p. 29.
9. Alice M. Rivlin, Director, Office of Management and Budget, testimony before the Senate Committee on Governmental Affairs, May 17, 1995.

10. Estimate by the Office of Management and Budget in Al Gore, *From Red Tape to Results: Creating a Government That Works Better and Costs Less* (New York: Plume/Penguin Books, 1993), p. 1.
11. Michael Kelly, "Rip It Up," *The New Yorker*, January 23, 1995, p. 32.
12. Linden, p. 11.
13. Linden, p. 42.
14. Philip K. Howard, *The Death of Common Sense: How the Law is Suffocating America* (New York: Random House, 1995), p. 11.
15. Howard, p. 9.
16. Bill Clinton, remarks at Reinventing Government event, FCC Auction Office, Washington, D.C., March 27, 1995.



President Clinton and Vice President Gore display federal regulations that were eliminated as part of the government's regulatory reform efforts, at the White House Conference on Small Business, June 12, 1995.

Chapter 2

Getting Results

It is common sense to take a method and try it; if it fails, admit it frankly and try another. But above all, try something.

Franklin D. Roosevelt¹

It is August 1, 1995, and Skowhegan, Maine, is baking in heat seldom experienced that far north. In a huge white tent set up a few miles out of town at the S.D. Warren Company paper plant, 600 people—workers and managers from firms across the state—swelter in their seats, listening to the featured speaker. He is Bill Freeman, area director of what has been, for industry at least, perhaps the most thoroughly disliked of all federal agencies: the Occupational Safety and Health Administration, or OSHA.

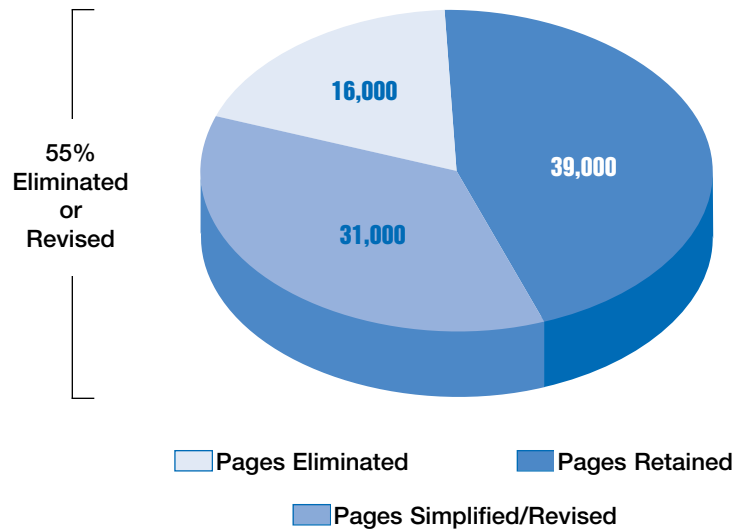
As Freeman concludes his remarks, all 600 rise to their feet in a single motion. They do not boo him. They do not stone him. They cheer loudly, applaud enthusiastically.

Freeman has not always received this sort of greeting from the companies he inspects. A few years ago, Bill Freeman and his team of two dozen inspectors were OSHA's "gold medal" winners. They got the agency's top honors for detecting the most safety violations, issuing the most citations, and levying the most fines—sort of the triple jump in the OSHA Olympics.

But Freeman didn't think he and his team were winning at all. OSHA's gold medal notwithstanding, he was convinced they were losing—losing, that is, in the serious business of reducing the number of work-related injuries in Maine. Maine had the worst record in the nation before Freeman's team got its medal, and it still had the worst record afterward. The fact was that, given the limited resources he had and the complexity of OSHA's inspection regulations, his chances of actually improving Maine's injury rate were virtually nil under existing rules.

Following those rules, Freeman's inspectors would move into a company, spend three months on-site, another three months preparing reports, and then anywhere from six months to two years in court. And when all was said and done, they'd find themselves telling the company to do the same things they'd told them years before after an earlier inspection. The process was so cumbersome that it got in its own way, not just the companies' way; in seven years, Freeman's team had been able to inspect only five mills. Indeed, nationwide OSHA has only 2,000 inspectors to monitor the nation's 6.2 million workplaces—more than 3,000 per inspector.²

Overhauling Federal Regulations



Fed up with getting nowhere, Freeman went to the 200 companies that had the highest injury rates in the state and offered them a deal: you and your workers draw up a safety program that meets the law's objectives, and we'll stop playing "Gotcha!" No more months-long "wall-to-wall" inspections, no more "ignorance is no excuse" enforcement, no more by-the-book fines. We'll stop being cops. We'll be partners instead—you, your workers, and OSHA. And any time you need help, we'll be there.

Industry's response was immediate and positive. All but two of the 200 signed up. Employer/worker safety teams in the participating firms are identifying—and fixing—14 times more hazards than OSHA's inspectors ever could have found, including hazards for which the agency didn't even have regulations. After all, who knows where the problems are better than the workers themselves?

Employer/worker safety teams are identifying—and fixing—14 times more hazards than OSHA's inspectors ever could have found.

The new program is working so well that in two years, the group's injury rates dropped 35 percent.³ Says S.D. Warren's Carl Turner, "There is a direct connection between the 200 Program and the drop in the accident rate; we spent 18 years under the old OSHA program and nothing happened."

More remarkably, Warren's production is up 25 percent, and Warren executives believe it's because their employees feel valued now. "This makes a big difference in how employees feel about the company," says one union official. "Repairing safety items would take forever, if you were lucky; now when I write a repair order it's done in less than 24 hours. We should have done this ten years ago."

The initiative has brought unions and management together as well. Says an official at Georgia Pacific, "We have joint communications and meet together; I never thought I'd see the day." And the effect goes beyond the factory floor. Ed Warren at Boise Cascade says employees are "using safety glasses and earplugs when they use a chain saw at home."

In another time, Bill Freeman probably would have been fired. He broke the rules. He didn't "go by the book." In another time, if you did something different, stepped out of bounds, bent the rules, or acted on the basis of simple common sense, you'd be punished, not rewarded. In short, if you stuck your neck out, you'd get your head cut off. Not surprisingly, people learned not to stick their necks out. Not exactly a way to motivate folks. And a lousy way to run anything, especially a government.

But Freeman seized on the federal initiative to reinvent government and pushed it hard. Result?—not another empty "gold medal," but an award for the agency from the Vice President, a substantial financial award from the Ford Foundation/John F. Kennedy School of Government Innovations in American Government program, an announcement by President Clinton that "Maine 200" will henceforth be OSHA's policy nationwide—and injury rates in Maine that are already down by more than a third.

Freeman and his team are real winners at last.

Results, Not Rules

Franklin D. Roosevelt's message to the government was, in effect: do something; if that doesn't work, do something else. Over the years, however, the message to front-line federal workers—and, for that matter, to the people and companies they regulated—mutated so profoundly it reversed upon itself. It became, "Do it this way. If that doesn't work, do it this way *anyway*. Don't get any bright ideas."

Our own government had become a mine field—for employees and their customers alike. Even if we picked our way through it carefully, following the map we were given, there was always a chance—often a good chance—we'd stumble upon a new mine. They seemed to grow of their own accord. Good, honest, hard-working people ended up sideways with their government, often not so much because they were off track but because there was no way to know which way was the right way. Each time they thought they'd figured it out, the map would change.

People want to do the right thing. Problem is, the government often makes it almost impossible to figure out what the right thing is and, once you've figured it out, impossible to actually do it. Think of it this way: most folks understand why there is a speed limit, respect it, and try to obey. But what if the speed limit wasn't posted or, if it was, it changed so often you never knew whether you were obeying it, and troopers were forever pulling you over and giving you tickets for violating this ever-changing, often mysterious speed limit? And then, just to keep you on your toes, they'd give you a ticket for your car being dirty, leaving you wondering what that had to do with highway safety. Not only would you be pretty steamed but, chances are, the highways would be in chaos. That's what life with the federal government's been like for years, especially for America's businesses.

In February 1995, President Clinton put the challenge facing the federal government simply. The issue, he said, was "How do we do our part to protect the legit-

Unless you've ever seen one of those huge metal stamping machines come down on a piece of sheet metal, you can't imagine what it was like to think about the days when people had to put their hands under those machines with no guards, knowing one mistake would mean the hand would be gone forever. Unless you've actually seen things like that, it is hard to visualize what is at stake here.

President Clinton
May 16, 1995

imate interests of the American people, without literally taking leave of our senses and doing things that drive people up the wall but don't make them safer?"⁴ And then he provided the answer: completely overhaul the way the federal government regulates people, businesses, and state and local governments—*focus on results, not rules*.

What Americans Want: Fewer Rules, More Sense

There's an old saying that describes how our government works: "The President proposes, the Congress disposes." To that, the American people might add, "and the agency *imposes*." It is those myriad everyday bureaucratic impositions Americans want fixed. And that's what the regulatory overhaul begun by the National Performance Review is designed to do. President Clinton's message to federal agencies was simple: "We are not asking people to spend their time, their money, and their resources fooling around with us if they don't have to and there is no public purpose served by it."⁵

In what has become a hallmark of the reinvention initiative, this year's efforts at regulatory reform began with asking and listening to the people who know most what needs to be done: the government's customers and the front-line workers who serve them. Agencies held more than 300 meetings around the country. Plus, there were hundreds more local meetings as part of the 1995 White House Conference on Small Business. Here's what people said.

*Do we need more common sense and fairness
in our regulations? You bet we do.*

President Clinton
January 24, 1995

It's Not So Much the "What" as the "How"

We all want clean air and water. We all want safe food and toys our children won't be hurt playing with. We want workplaces that don't injure us. We want our savings protected. And much more. That's why we have laws. And while we may have our disagreements about some laws, the real problem is what happens *after* the laws are passed.

Actually, there are four problems. First, Congress passes laws, but seldom repeals them—whether or not they're relevant anymore, whether or not they work. So an awful lot of laws remain on the books after they are no longer useful. Second, after laws are passed the agencies responsible for carrying them out are required to produce regulations describing how they will achieve what Congress passed the law to do. But between Congress's vagueness and agencies' mania for covering every eventuality, the result has been regulatory overflow: at last count, the total number of pages in the Code of Federal Regulations—the encyclopedia of federal laws and rules—was more than 130,000 pages. Its 202 volumes take up 21 feet of shelf space. Third, even after the regulations are approved, there are legions of lawyers and others who seek out and find loopholes in them, and legions more of agency regulators who seek to fill those holes with—you guessed it—more regulations. Fourth, agency employees are duty-bound to enforce regulations once they're approved. That's their job. Common sense interpretation is expressly forbidden.

Americans acknowledge that many laws and regulations have made things better. The environment is dramatically cleaner now than it was 25 years ago. Highways and cars are safer. So are kids' toys. Even though the number of people

working has grown substantially, the rate of work-related fatalities declined more than 50 percent since OSHA was created in 1970.

But Americans also say that many regulations have created more problems than they solved and even frustrated the very goals they set out to achieve. They say the regulations are often incomprehensible and sometimes simply nonsensical. And even when their purposes make sense, the enforcement procedures are often inflexible and costly. Sometimes the rules miss the point altogether, like requiring a refinery to install \$31 million worth of equipment in waste pipes to control benzene when, in fact, its benzene emissions came from its barge-loading dock.⁶

In addition, the punishments for violations sometimes far exceed the violations themselves, not to mention common sense, like fining a company thousands of dollars for failing to require workers to don hard hats as they rushed to save a co-worker from a collapsed trench.⁷ And complex and costly regulations are causing employers to shy away from doing things they want to do, like employing the disabled or providing health and pension benefits—things the laws are supposed to be promoting.

What we end up with, as President Clinton has pointed out, is a government that is obsessed with procedures but often seems oblivious to results. What's more, all this regulation is immensely expensive—hundreds of billions of dollars, so expensive that no one really knows the figure. It's costly to taxpayers to pay for the system that creates and enforces all these rules; it's costly to employers, state and local governments, and ordinary citizens to comply with them; and it increases the costs of products and services.

And then there is the matter of human judgment. After all, regulations don't think. In the pursuit of equal treatment of everyone, we have created a system that demands that one size fit all, and in the pursuit of certainty we have created a system that attempts to cover every eventuality, spelling everything out in excruciating detail. We have given neither the regulators nor the regulated any leeway. In the words of Philip Howard, we have “exiled human judgment.”⁸ But the world is neither all one size nor all that certain. Things change constantly, conditions vary, and human judgment is crucial to making things work. Or, as Howard puts it, “Decision making must be transferred from words on a page to people on the spot.”⁹

And that's exactly what Americans want—reasonable rules, reasonably applied by people close to the action. The new OSHA is proof that the “how” of government regulation can be changed dramatically for the better. But it isn't the only example. Throughout government, regulators have begun work on programs to cooperate with the industries they regulate.

Americans deserve a government that works. They're starting to get one.

Get Rid of Bad Rules and Make Good Ones Easier to Understand

Some years ago, someone in the federal government decided doctors should be required to fill out and sign an “attestation form”—sort of a truth oath—attesting to the accuracy of the information they provided to the hospital when they dis-

Decision making must be transferred from words on a page to people on the spot.

Philip K. Howard
The Death of Common Sense



U.S. BUSINESS ADVISOR

charged a Medicare patient. It didn't add anything to patient care—in fact, it detracted, since filling it out took time away from patients. And it didn't improve medical records; the doctors were already providing all the information required for discharging patients, generally quite accurately. What it did do was create more than 11 million forms, take up 200,000 hours of physician time, and add \$22,500 in administrative costs for every hospital in the country.

And now, thanks to President Clinton's reinvention initiative, it's gone. It's one of literally thousands of senseless regulations that people, businesses, and state and local governments don't have to follow anymore now that the federal government is focusing on results rather than rules. Are silly regulations all gone? Hardly. Is all that costly paperwork a thing of the past? Not yet. But agencies are killing bad regulations faster than at any other time in recent history—thousands of pages of them this year alone. And they're working hard to make good regulations better, easier to understand, and easier to observe.

But in the meantime, how do businesses find out which regulations apply to them? And how do they make sense of them? In the past they usually found out when it was too late: after being hit with some violation.

Now there's the U.S. Business Advisor—a one-stop Internet shop for information on regulations and compliance for businesses. A reinvention project of 15 major federal agencies, the Business Advisor is a World Wide Web site (<http://www.business.gov>), housed at the Department of Commerce, through which businesses can find out what regulations apply to their situation and how to get help complying with them. Lawrence

Livermore National Laboratory and the University of Massachusetts developed a technology that is remarkably user-friendly. All you do is tell the system what your question is and it culls the answers you're looking for from thousands of pages of regulations—in seconds. And that's just the beginning; soon the Business Advisor will make it possible for businesses to get not just regulatory information but also information on trade, labor, finance, and selling to the government. Eventually, you may be able not only to retrieve information, but also find out about best practices, send comments, and file documents with the government electronically. But these are just the government's ideas. The final design will be based upon input and ideas from businesspeople. President Clinton has created a task force to get these ideas and report back with a design by the end of 1995.

Better access to the right information will make it easier for businesses and others to do the right thing, but only if the information they receive is written in plain language. And let's face it; most of the time it isn't. Between the vagueness of the original laws and the legalese used by rule-writers trying to cover every eventuality, reading regulations is like wading through a jungle without a machete. Now, however, the government itself is clear-

Cutting red tape in cyberspace

WASHINGTON—The federal government and businesses can now link on the Internet. President Clinton today unveils a computer-based information service called the U.S. Business Advisor.

Initially, it will offer a Regulatory Assistance Center with information on regulations and compliance. Eventually, users will be able to get information on trade, labor, financial issues, environmental data and other topics.

USA Today, June 14, 1995. Reprinted with permission.
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ing the path, gradually making regulations user-friendly: Interior Department staff, for example, reasoned that if they wrote clearer regulations, people would waste less time trying to figure out what the government wanted, would be less likely to make mistakes, and would be more likely to comply. Now, all regulation-writers at Interior use plain language.

The Forest Service has gone one step better: to help make the government's lands and resources more accessible to Americans with disabilities, it has scrapped detailed and convoluted design and engineering regulations in favor of an award-winning guidebook, "Universal Access to Outdoor Recreation."

Not every effort to make things clear is that easy, however. Take the Securities and Exchange Commission. When it comes to covering every eventuality, perhaps no agency has worked harder than the SEC, created in the 1930s to protect investors from fraud in the financial world. SEC's strategy has been simple: the more people know about what they're buying, the better they'll be able to judge the risks involved. So disclosure is crucial. The result of this simple strategy, however, has been anything *but* simple. As the mutual fund industry has evolved and investment strategies have changed, mutual fund prospectuses have grown too, as SEC requires more and more information to be disclosed. The result? The more information you get, the less you know. The average prospectus runs to 25 dense pages of legalistic prose that almost nobody understands.

Now that's changed. SEC Chairman Arthur Levitt, Jr., decided to have mutual fund prospectuses "speak a new language: the English language."¹⁰ Working with the SEC, eight of the largest mutual fund companies crafted brief, plain English summary documents to help people know what they're buying. They are testing

what they did to make sure it works. If it does, all mutual funds will use summary documents and investors will know what they are buying.

Make It Easier for Us to Do What Needs to Be Done

If you want someone to do something, it's generally wise to make it easy for them. At least that's the message Americans have been trying to send to the government. The truth is that most businesspeople, like most other people, are more than willing to work to find ways of achieving the public purposes laws are meant to achieve, if they can find a way to do it easily. What they hate is being required to fill out hundreds of forms—especially when they know nobody reads them. What they hate even more is being pounced on by their own government.

New regulations are created every year. Businesses, big and small, are expected to know all the regulations that pertain to them. As far as the law is concerned, ignorance is no excuse. But for years, instead of helping, the government not only made it difficult to understand the rules, it made it difficult for companies to comply with them (by making them complex, obscure, or simply impractical). Then it pounced, levying fines on any who didn't comply. Sort of a "Catch-22." Lawyers and consultants have made fortunes advising businesses about these rules; they're probably the principal beneficiaries of government regulation.

In February 1995, President Clinton told the agencies to end the Catch-22s. In March, he gave all regulatory agencies permission to waive up to 100 percent of punitive fines so a businessperson who acts in good faith can fix the problem, not fight with the enforcer. The focus is on the objective, not the fines.

Let's return to OSHA. For decades, the old OSHA's inspectors would sweep into your company and start writing up violations of regulations—big ones, little ones, important ones, petty ones—often for things the employers had never heard of (and sometimes for things that didn't seem to have too much bearing on actual worker safety). Then they'd sweep out again, leaving behind the bill. You'd think they were there to make money, not to preserve safety. Not surprisingly, businesses—especially small businesses—were furious.

Now, however, OSHA has increased its emphasis on providing employers confidential consulting services to help them improve working conditions for their employees. Instead of playing "gotcha," they'll help you evaluate your workplace (and encourage you to involve your workers in the process). They'll help you draw up a safety plan. They'll listen to your side of the story—being student as well as teacher—so they can understand your needs and conditions better. They'll provide training for your employees—on site. And when everything's said and done, you may be exempt from inspections for a year. No hassles. And the consulting services are free.

Even the inspections are changing. It used to be that any employer who didn't have an OSHA compliance poster on the wall immediately got slapped with a \$400 fine; now inspectors carry posters with them when they visit and help employers put them up.

In fact, the whole issue of fines is changing. A month after President Clinton released *From Red Tape to Results: Creating a Government that Works Better and Costs Less*—the first "reinventing government" report—in 1993, the OSHA office in Parsippany, New Jersey, saw it as an opportunity to change how it handled fines for

safety violations. The way the old process worked, if a safety problem was identified the employer had no incentive to fix it until months later, after the reports were completed and the litigation was over. The folks in Parsippany thought that was pointless, so they made a deal with employers: fix the problem now, and we'll reduce the fines by an amount equal to the cost of the safety repair. Since then, immediate abatement of violations have risen by nearly a third and the cost of OSHA follow-ups has dropped. On July 1, 1995, OSHA made this "Quick Fix" initiative its policy nationwide. The point is to make it easy to improve the workplace—and also to make government work better and cost less.

Other federal agencies are making it easier too. For example, both the Coast Guard and the National Oceanic and Atmospheric Administration have shifted to issuing warnings rather than fines for boaters, fishing vessels, and others cited for minor violations of regulations. In addition, the Coast Guard now has a "pollution ticket" program that offers significantly lower penalties for first- and second-time violations of pollution standards. The Federal Highway Administration now imposes penalties only as a last resort, and scales what penalties it does levy to the company's ability to pay. The Environmental Protection Agency will give small businesses a six-month grace period to correct pollution violations.

Assume We're Honest, Not Dishonest; Intelligent, Not Stupid

Sometimes, federal regulations and the way they're enforced give you the impression the government thinks everyone's crooked. Or that we're stupid—that unless the government spells out how to go about doing something we'll never figure out how to do it on our own.

We shouldn't feel bad. For years, government has treated its own employees the same way—assuming, for example, that the people responsible for the national defense cannot be trusted to buy paper clips without defrauding the United States, or detailing exactly how employees should handle every situation, as if they couldn't work it out themselves. If you think you have to fill out a lot of forms, you should see what the government makes its own employees go through for even the most insignificant purchase or action. This lack of trust in its own employees is one reason why doing almost anything in the government has always required a couple of dozen signatures: to be sure no one was cheating the taxpayer. Of course the process sometimes cost more than what was protected, but at least no one could be blamed if something went wrong.

But people—in government or out—are, for the most part, neither crooked nor stupid. Most people want to do the right thing, so long as the right thing makes sense. Perhaps the most important thing about the reinvention initiative, and its regulatory reform work in particular, is that it is based on a new assumption: that people are honest and that if you tell people what needs to be done, and let them get on with doing it, the chances are it will be done better—and more cheaply—than if you tell them how. Moreover, it values them as human beings.

What Americans—individuals, businesspeople, officials from state and local government—told the federal government when they were asked how the burden



of regulation could be lifted was remarkable. They did not say, “Get rid of regulations.” Their answer was sophisticated and practical at the same time. It was: “Get rid of obsolete or silly regulations, and then *work with us* to improve those regulations that must remain. Trust us. Treat us like partners, not enemies.”

For several years now, the Environmental Protection Agency has been doing precisely that, in a program that demonstrates the value of making your objective clear and trusting people to do it right. EPA identified 17 high-priority chemicals and told industry that it wanted their release into the environment reduced by 33 percent by 1992 and 50 percent by the end of this year. Then it stood aside, asking only for a simple letter from industries involved explaining how they would reach those goals. Even the choice of chemicals was sensible; they were chemicals heavily used by industry, that posed significant environmental concerns, and that had a reasonably high likelihood of being reduced through industry action.

Individual companies have responded with remarkable enthusiasm—and not just major corporations. AB&I Pipe Coating in Oakland, California, for example, spent three years developing a plan that will actually eliminate completely its release of chlorinated solvents by this year, along with some 90 percent of emissions of the other volatile organic compounds it uses in its business. Nationwide, the results have exceeded the most optimistic projections. Some 1,200 companies are participating. They reduced emissions more than 100 million pounds *beyond* the 1992 target, and the 1995 goal appears to have been achieved at least a year ago (the data are still being analyzed). And the spirit of the initiative has been infectious; EPA now has several other voluntary partnership programs underway and even more planned. The formula is simple: focus on results. Less “gotcha” enforcement, plus more trust, minus mountains of paperwork, equals a lot less pollution.

The Results: Working Better and Costing Less

Harley is a potbellied pig. He also happens to be very good at sniffing out drugs. In fact, the police in Portland, Oregon, think he is even better than a dog in tracking down narcotics on the city’s streets. And he sure is a great mascot for anti-drug programs aimed at school kids. The kids love Harley.

Harley has been such a success that the Portland police want to buy some more potbellies, and to train them to detect guns as well as drugs. The whole project would cost about \$25,000. But so far they haven’t found any federal anti-drug money available for training pigs. Dogs, yes. Pigs, no. Never mind that Harley gets the right results—that he finds the drugs and charms the kids.

When the White House found out that Harley was denied training funds because he was a pig, it acted swiftly—and designated Harley an honorary dog. It was a comical response to a ludicrous problem—the kind of problem Americans can expect to be fixed, and fixed for good, as the government strips away layers of regulations and mountains of useless paperwork.

The Code of Federal Regulations, the government’s rulebook, is a lot like your uncle’s garage: crammed to the rafters with all sorts of stuff that’s been there for who knows how long. There’s stuff of great value in there. There’s stuff you don’t need anymore. And there’s stuff you can’t imagine *ever* having needed. On February 21,



Portland, Oregon's drug-sniffing "honorary dog," Harley.

Joel Davis, *The Oregonian*

1995, President Clinton sent the federal regulatory agencies in to clean up Uncle Sam's garage. By June 1, they had come up with 16,000 pages of regulations to haul out to the curb.

Then they went back in to find more. So far, they've rummaged around in more than 86,000 pages of regulations. Besides the 16,000 they are trashing, they are cleaning up another 31,000 more pages—stuff that's still valuable but needed to be refurbished. And there's still more, further back in the shadows, that they haven't gotten to yet. It's a very big garage.

President Clinton's instructions to the clean-up crew were simple:

1. *Cut obsolete regulations and fix the rest.* Conduct a page-by-page review; eliminate what's outdated and reform what's still needed. Figure out how the goals can be achieved in more efficient, less intrusive ways, and while you're at it, look for ways to push authority down to where it will be used best, like in state and local governments.
2. *Reward results, not red tape.* Change how you measure performance so that you focus on results, not process and punishment. Say what you want to achieve clearly and re-engineer your organizations so that people and programs are evaluated on the basis of outcomes.
3. *Get out of Washington.* Talk to your front-line employees and your customers about how best to achieve your goals; form partnerships.

4. *Negotiate, don't dictate.* Tell people what you want to accomplish and engage them in working out how to get there. Seek consensus at the very start.

The agencies didn't do it alone. In the month and a half after President Clinton's order, they held hundreds of meetings with businesses, individuals, and state and local government officials all over the country to ask them what needed to be eliminated or fixed. As you might expect, people had plenty of ideas; they'd just been waiting for someone to ask.

Progress Report: Cutting Obsolete Regulations, Pointless Paperwork

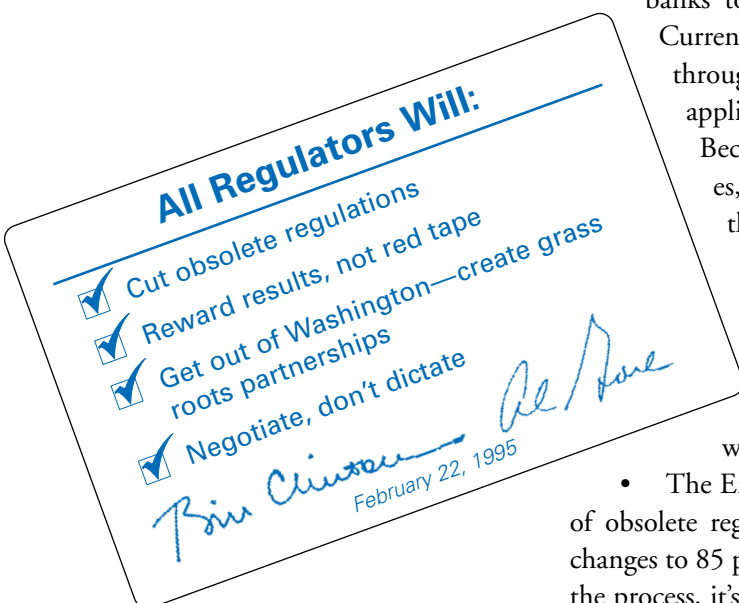
It's almost impossible to remember the world before automatic teller machines came along. If you needed cash, you either had to get to the bank before it closed—in the middle of the afternoon—or go to the supermarket, buy something, and ask for cash back. Now you can get money from your account virtually anytime, anywhere. You can even get it overseas. It's incredibly convenient.

The government, however, didn't make it very convenient for banks to set up ATMs. Until this year, the Comptroller of the Currency, which oversees banking operations, required banks to go through a complicated, lengthy, and ultimately costly 35-step application process before they could open up an ATM. Why? Because it treated ATMs as if they were separate bank branches, not as extensions of existing ones. Maybe it made sense in the early days, but it certainly doesn't anymore. Now, the 35 steps are on their way out.

That's just one, very small example of how much simpler life can be with a little common sense. Throughout 1995, the major federal regulatory agencies have been cutting obsolete regulations and eliminating pointless paperwork on a wholesale basis:

- The Environmental Protection Agency is eliminating 1,400 pages of obsolete regulations and is revising 9,400 more; that means cuts or changes to 85 percent of EPA's rules in the Code of Federal Regulations. In the process, it's also cut paperwork requirements by 25 percent—a savings for industry of some 20 million hours of labor a year.
- The Department of Education eliminated 30 percent of its regulations.
- The Department of Housing and Urban Development is cutting 2,800 pages—65 percent of all its regulations.
- The U.S. Department of Agriculture dropped 3 million pages of government forms that America's farmers filled out each year.
- The Small Business Administration will have eliminated 50 percent of its regulations by the end of the year and will have revised the rest.

What does this mean on the street? Here's just one example: 15 years ago, when Mamma Jo's and Zeno's Pizza opened in Wichita Falls, Texas, the owners used an SBA loan to get started. They were grateful for the help, but it didn't come easy;



it took them four weeks, with the help of a bank officer, to fill out a stack of forms, gather all the necessary documentation, and wait for the government's answer. Last year, when they needed another loan to expand, they learned that they qualified for an SBA program, designed by Rodney Martin in SBA, San Antonio office, that provides a fast-track application procedure for loans up to \$100,000. The whole process took three days, start to finish—and required only a simple one-page form. That's quite a change from the earlier 78-page application and 90-day review. Multiply that improvement by all the rest of SBA's small-loan applications, apply the same math to many of the procedures the other federal agencies engage in every day, and you begin to get an idea how much can be saved simply by cutting obsolete regulations and pointless paperwork.

Of course, regulatory reform means more than just cutting. It also means making sure the remaining rules are user-friendly. It means making it easier for businesses, or state and local governments, or individual citizens to do things the federal government needs them to do. It means throwing away the hoops people have had to jump through when they wanted service from their government. And above all, it means keeping the government's eye on the ball—the objectives the laws were designed to accomplish.

It's happening. Consider the Environmental Protection Agency, the nation's biggest regulator. Sixteen separate laws spell out the agency's monumental task—to clean up pollution and figure out what needs to be done to protect people and the environment in the future. EPA has been enormously successful: the air is cleaner and healthier; you can swim in rivers that once caught fire and in lakes that once were dead; you can drink water and be sure it's safe; you can find out whether there are hazards in your neighborhood that may harm you or your children. But the costs have also been enormous—to the taxpayer and to industry and small businesses.

The EPA listened to the rising chorus of customer complaints and responded. The agency is rapidly changing the way it regulates, moving from mandatory, punitive compliance approaches to voluntary, consensual approaches. In short, instead of telling businesses what to do to prevent pollution and how to do it, down to the very last detail, EPA now invites businesses to describe how they think they can meet the goal and then lets them get on with it. Already, the agency has created more than two dozen such voluntary programs in a wide range of industry sectors. Says EPA Administrator Carol Browner, "Our new philosophy at EPA is tough standards to protect our air, our water, and the health of our people, but common sense, flexibility, innovation, and creativity in how you meet those standards."¹¹

That same philosophy—essentially, the philosophy of reinvention—has taken hold in many other agencies as well. There are hundreds of examples throughout the government.

For example, ever since the Depression, we've been pretty firm about wanting our money protected when we deposit it in the bank. But sometimes the government hasn't made it especially easy for banks to meet that sensible objective. It used to be that when examiners from the Office of the Comptroller of the Currency walked in to examine a small bank, they brought along 1,216 pages of arcane technical procedures. No longer. Now they bring along a user-friendly 30-page booklet.

Streamlining Bank Exams



Old Procedures
Page Count: 1216



New Procedures
Page Count: 30

The rules for creating pension plans are currently so cumbersome and costly to follow that many smaller businesses are unable to afford them for their employees, and some businesses are forced to cut pension programs they already have. This is quite the opposite of what policymakers intended. In June, President Clinton announced an initiative to eliminate and simplify many of the rules governing such programs, along with creating a new, simpler IRA-based plan option called the National Employee Savings Trust, or NEST.

In addition, employers also are required to provide their employees with reports on the financial condition of their pension and welfare benefit plans. So that people reluctant to ask their employers have somewhere else to go, the law also requires employers to provide copies to the Department of Labor. But by the time Labor gets the reports, they're typically seven months old and, therefore, useless. Now, the department proposes to eliminate the requirement, ending a quarter-million filings per year and saving employers 150,000 hours of pointless work and \$2.5 million per year in additional costs. If employees want the information, they will be able to call Labor and the department will request it from the plan administrator on the spot. It's just common sense.

Very small companies—those with 10 or fewer employees—make up nearly 80 percent of all American businesses. When asked for their number-one complaint about regulations, small business owners said, “Tax compliance and payroll record-keeping are too complicated.” In response, IRS is building the Simplified Tax and Wage Reporting System. When complete, it will let employers file W-2 data to both federal and state governments, electronically and simultaneously, saving billions of dollars for business every year.

Even as the government is reducing the regulatory burdens on its customers, it's finally also cutting much of its own red tape—the stuff that ties the government itself into knots and runs up the cost of governing. For example, it has entirely eliminated the 10,000-page Federal Personnel Manual—the government's rule book for hiring and firing. Gone, too, is the notoriously complicated Form 171 that anyone seeking to work for the government had to fill out. If American industry will accept your resume, why shouldn't your government?

TRUE GRITS

President Clinton, speaking at the White House Conference on Small Business on June 12, 1995:

I hate to tell you this, folks, but we're about to lose the regulation that tells us how to test grits. I want you to ask yourself if you can do without this:

Grits, corn grits, hominy grits is the food prepared by so grinding and sifting clean, white corn, with removal of corn bran and germ, that on a moisture-free basis, its crude fiber content is not more than 1.2 percent and its fat content is not more than 2.25 percent and when tested by the method prescribed in Paragraph (b)(2) of this section, not less than 95 percent passes through a #10 sieve, but not more than 20 percent through a #25 sieve . . .

Now here's the really interesting part; they tell how:

*Attach bottom pan to a #25 sieve. Fit the #10 sieve into the #25 sieve. Pour 100 grams of sample into the #10 sieve, attach cover, and hold assembly in a slightly inclined position, shake the sieves by striking the sides against one hand with an upward stroke, at the rate of about 150 times per minute. Turn the sieve about one-sixth of a revolution, each time in the same direction, after each 25 strokes. . . . The percent of sample passing through a #10 sieve shall be determined by subtracting from 100 percent the percent remaining in the #10 sieve. The percent of material in the pan shall be considered as the percent passing through the #25 sieve.**

I don't know if we can do without that. There is some real sacrifice here; I am personally going to miss the 2,700-word specifications for french fries.

*21 CFR Sec. 137.230.

The government's also getting rid of thousands of pages of lengthy and often ludicrous procurement regulations and product specifications--dozens of pages on how to make French fries or tell whether fish is fresh, dozens more just to describe a camp lantern, and on and on. With the possible exception of late-night talk show hosts who use them from time to time for comic relief, it's unlikely many people will miss procurement regulations either.

Progress Report: Rewarding Results, Not Red Tape

The old OSHA wasn't the only agency in the federal government that was measuring its performance the wrong way. Most agencies did. In fact, when the National Performance Review examined how agencies measure their workers' performance, it found that fully 30 percent of the measures tracked punitive acts, like levying fines. Another 50 percent measured were administrative functions, like filling out forms correctly. Only 20 percent of worker performance was measured in terms of how well individual employees actually worked with others--and almost none of *that* was about working with customers.¹²

The study concluded agencies were measuring the wrong things. They were measuring *inputs*, not *outcomes*. In some cases, that was because agency or program missions were fuzzy to begin with. More often, however, the problem was that agencies had gotten so caught up in measuring inputs, they forgot what they were in business to accomplish in the first place.

Take the U.S. Coast Guard. The Coast Guard is responsible for, among other things, promoting safety on the high seas. For years it focused on inspecting the condition of vessels and levying fines whenever it found things weren't shipshape. The more fines, the better it was doing. The problem is, however, that faulty ships don't usually cause accidents—people do.

Today, the Coast Guard has shifted its attention from finding rust spots to reducing injuries and fatalities. It's also re-examined its assumptions. The Coast Guard had determined that its highest priority should be commercial fishing, an industry long known for its high injury rate. But when it actually looked at the entire industry, it found that the injury and fatality rate in the area of commercial towing—tugs and barges—was equally high and needed attention. By focusing on its mission and consulting with the industry itself, the agency achieved dramatic results: fatality rates declined from 91 per 100,000 industry employees in 1990 to only 36 per 100,000 last year—nearly a two-thirds reduction. When you're measuring what matters, nothing matters more than lives.

As President Clinton has noted, "If the government rewards writing citations and levying fines more than safety, then there's a good chance that what you get is

If the government rewards writing citations and levying fines more than safety, then there's a good chance that what you get is more citations, more fines, and no more safety.

President Clinton
January 24, 1995

more citations, more fines, and no more safety."¹³ And if what you measure is red tape, you get more red tape. The combination of the reinvention initiative's emphasis on results and the passage of the Government Performance and Results Act of 1993 is turning scores of federal agencies away from procedure and toward performance—serving people better and, at the same time, reducing the cost of government.

This new law ordered agencies to spell out their performance goals clearly and succinctly, make specific commitments for meeting them, and establish formal outcome measurement systems to demonstrate their progress. The law also called for the immediate creation of at least ten "pilot projects." To everyone's astonishment, 27 agencies volunteered, including the Defense Logistics Agency, the Coast Guard, the U.S. Mint, SBA, the National Highway Traffic Safety Administration, USDA's Farmers Home Administration, major programs in the Department of Energy, and the Department of Housing and Urban Development. These agencies, and many others, created more than 70 pilot projects, which are now in the vanguard of reinvention.

One of the first pilots was the Internal Revenue Service, an agency that made a comprehensive commitment to performance improvement. The vast majority of Americans are willing to pay our fair share of taxes, so long as the process of meeting our obligation is as painless as possible. To make it so, the agency has established a strategic plan with measurable, customer-driven outcomes that, as of this year, are

directly linked to the performance evaluations of executives and managers throughout the organization. The concept is simple: if employees are measured by how well they serve their customers, their customers will be well-served.

The Agriculture Department, the SBA, Social Security, and HUD, among other agencies, also have begun evaluating employee performance on the basis of explicit, customer-driven outcomes. The Department of Education's new performance appraisal system even has a mechanism for incorporating customer feedback into employee evaluations—a process that has the blessings of the agency's labor-management council.

Progress Report: Getting Out of Washington, Creating Partnerships

Joy Lucas came home to Oregon from Germany last year with two small children, a divorce from her soldier husband, and ambition.¹⁴ But with no work experience and no job skills, her options would have been limited—had it not been for the “Oregon Option,” a performance-based partnership contract between federal and state agencies that does something states have been craving for years. It consolidates narrow, inflexible federal funding programs and waives the rules that govern them so they can be merged with state funds and turned into real services for real people in real need.

Joy Lucas has never heard of the Oregon Option. Nor has she heard of Oregon Benchmarks, that state's landmark effort to set goals for government services and hold agencies accountable for achieving them—perhaps the main reason the federal government agreed to the Oregon Option. She doesn't need to know about either one; that's the point. They're invisible to her and should stay that way. Instead of having to navigate the unmapped territory of federal and state categorical programs herself, filling out form after form in agency after agency, she can simply get what she needs—in this case, the training to become a 911 emergency dispatcher and the interim support she needs for herself and her children until she lands the job.

The Oregon Option is just one example of the benefits of “getting out of Washington”—that is, of sitting down with customers and developing partnership agreements for reaching common goals quickly and less expensively. In the last year or two, other examples have developed throughout the federal government. Many involve partnerships between Washington and the states designed to consolidate funding streams, eliminate overlapping authorities, create incentives for achieving concrete results, and reduce the innovation-sapping micromanagement that has so often characterized federal grant programs in the past.

In his 1996 budget, President Clinton has proposed that 271 separate programs be consolidated into 27. In the welfare program, 34 states have been granted waivers from federal micromanagement because their programs address the job of reducing welfare dependency more effectively, more flexibly, and in some cases more innovatively than uniform federal rules would have allowed. In addition, ten states have been granted Medicaid waivers. And, under the education flexibility partnerships, Oregon and several other states are receiving waivers from federal statutory and regulatory rules in education.

OREGON OPTION

President Clinton and Vice President Gore repeatedly praised the “Oregon initiative” on Tuesday.

Just what is that? Actually, it's the “Oregon Option,” and it's the term top government officials have given to efforts to snip the strands of bureaucratic red tape.

The arrangement made its formal debut in Oregon late last year as part of a Gore-led effort to streamline government and cut costs.

The Oregon Option, signed by Gore in December 1994, allows the state to negotiate deals with federal agencies to receive grants free of the usual regulations and detailed paperwork. To receive the less encumbered federal cash, the state must demonstrate it is using the money to achieve a variety of goals, or benchmarks.

Already, the state is taking advantage of the option to coordinate grants and associated paperwork for such programs as children's health care, welfare, and job training. Some of the services, such as childhood immunization, already are in operation.

State officials claim the new approach will save government—and taxpayers—millions of dollars. Clinton and Gore say: Good job, and don't forget the part we played.

—Gail Kinsey Hill

The Oregonian, June 28, 1995
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In a similar vein, the Community Empowerment Board, comprising 15 federal agencies, has helped the agencies provide waivers of federal job training, community development, and various “safety net” rules for 95 Enterprise Communities and nine Empowerment Zones—created last year to enable communities to custom-craft programs that meet their particular needs. The difference between such waivers and simple block grants is that the waivers require the development of comprehensive community plans and results-based measurement systems; they also ensure accountability for taxpayers’ money.

The EPA has undertaken several new partnerships with state and local governments. For instance, many communities have hesitated to redevelop inner-city sites and put them to safe, productive use again, for fear they will be held liable under Superfund legislation for past industrial contamination. The new “brown-fields” initiative lifts the threat of liability; that program has awarded five pilot projects, and 50 more are planned. EPA has also limited the liability of the operators of municipal solid waste landfills and removed 25,000 sites that had been tracked by Superfund but that either had no contamination or were being fully addressed by state clean-up programs. Developers wouldn’t touch those sites as long as they were still on the tracking list.

Government is creating performance partnerships not only with state and local governments, but also with industry.

Pretend for a moment you’re a factory owner in Texas. Plenty of your workers are Mexican citizens. They are here legally--they’ve got papers. Then one afternoon Immigration and Naturalization Service agents surround the building, burst in the door, inform you that the papers for half your workforce are fraudulent, then arrest them and haul them away. And you’re left stranded. No workers, no work. No work, no income. You’re in deep trouble.

That happens all the time in the Southwest—or at least it did, until Neil Jacobs, INS assistant district director in Dallas, decided he was getting nowhere. The workers just showed up someplace else a few days later, with more fake papers. Meanwhile, he was hurting the people the area needed most: its employers. Working in partnership with employers, local enforcement officials, and employment services, Jacobs created “Operation Jobs.” Now INS meets quietly with employers and connects them with documented workers (at the same wage levels) *before* they remove the undocumented workers. Not only does this change eliminate the disruption of the old approach,

it ensures there are no empty slots for the undocumented workers to re-occupy later. And it creates a solid market for legal workers—more than 2,500 of them in north Texas alone, and thousands more now that Jacobs’ project has expanded to neighboring states.

**Technology,
new attitude
help Customs**

BY JAMES J. MITCHELL
Business Editor

WHEN my wife and I recently returned from overseas though San Francisco International Airport for the first time in a year, we were surprised by the change in the U.S. Customs Service. In the past, agents seemed to wait listlessly at their stations and be in no hurry to examine passports and luggage. This time several agents were out among arriving passengers, guiding them energetically to the shortest lines. These moved rapidly and presto, we were out the door within minutes.

San Jose Mercury News, July 21, 1995. Reprinted with permission.

On a larger scale, EPA's doing the same kind of thing: developing working partnerships with industry and others to achieve environmental goals. Here are just four of the several dozen EPA initiatives already underway:

- “Green Lights,” through which more than 1,500 companies have put in energy-saving lighting throughout their installations (American Express in New York is saving more than a quarter-million dollars annually in energy costs and has received nearly a half-million dollars in rebates from Commonwealth Edison);
- “Waste Wise,” which has encouraged more than 400 major industries to generate less solid waste (NYNEX, the northeast telecommunications giant, is saving \$6 million a year);
- “Climate Wise,” a joint EPA-Department of Energy effort, which helps industry decrease energy use, prevent pollution, and reduce greenhouse gases—while increasing profits (DuPont, for example, aims at reducing greenhouse gases by 40 percent by 2000, for a savings of \$31 million annually); and
- The “Pesticide Environmental Stewardship Program,” in which EPA, the Department of Agriculture, and the Food and Drug Administration join nearly two dozen industry and commodity production organizations to develop methods for reducing pesticide use and risk.

Another intriguing EPA partnership experiment is “Project XL,” by which the agency, working with states, enables individual companies to develop their own ways to improve the environment. Partners will be allowed to replace current requirements with alternative, company-developed controls so long as they perform better than current laws and regulations, permit citizens to examine assumptions and track progress, ensure worker safety and environmental justice, are supported by the community, and are enforceable.

Government-industry partnerships like these continue to grow. For example, the Customs Service has involved business in its own efforts to reinvent itself.

Customs was established in 1789, by the second act of the new Congress, to collect revenue for the new nation—a nation that, even then, had a substantial debt. Customs paid for the Revolutionary War. It paid for the Louisiana Purchase. In fact, it was the major source of revenue for the U.S. Treasury until the early 1900s, when income taxes were created. Customs officials met every incoming ship, supervised unloading, inspected cargo, established duties, and established a written record of every transaction. More than two centuries later, they still did.

In the meantime, both the traffic and the shipping-related problems (drugs, contraband, firearms, diseases) skyrocketed. And so did the paperwork. Forms got longer and longer, inspections more and more complex, and delays reached intolerable levels. Combine this with a measurement system that cared more about how many shipments were detained than about how many were cleared, and you have a recipe for chaos, frustration, anger. Finally, Customs itself got fed up. The result was the Customs Modernization and Informed Compliance Act, signed just months after President Clinton announced the reinvention initiative.

SOME COST SAVINGS TO THE PRIVATE SECTOR FROM REGULATORY REINVENTIONS

Private businesses, taxpayers, and consumers will save nearly \$28 billion as a result of hundreds of changes to regulatory and administrative activities that will reduce burden or allow alternative approaches to achieving national goals. For example, agencies will:

- Eliminate the Physician Attestation Form. Savings: 200,000 burden hours on doctors and \$22,500 per hospital from no longer filing 11 million of these forms.
- Implement effluent trading on a national scale as a cost-effective approach for reducing water pollution. Savings: at least \$1.2 billion, and possibly as much as \$15 billion a year.
- Reduce existing monitoring, recordkeeping, and reporting burdens by at least 25 percent. Savings: 20 million burden hours for employers.
- Revise PCB disposal regulations to allow less expensive disposal methods. Savings: \$4 billion a year.
- Streamline the Resource Conservation and Recovery Act's corrective action procedures. Savings: \$4 billion a year.
- Streamline the alien labor certification process by decentralizing authority to state employment agencies and automating form processing. Savings: \$223.8 million over five years.
- Simplify pension computation procedures by relying on employer calculations and simplifying methods of dealing with complex plan provisions. Savings: \$6.3 million over five years.
- Streamline affirmative action plans for federal contractors. Savings: 4.8 million hours of contractor time annually.
- Relieve duplicate filing burden on employers. Three federal agencies—IRS, Labor, and Social Security—have agreed to work together to eliminate duplicate tax data filing requirements on businesses and taxpayers. Savings: \$1 billion a year in time spent by employers.
- Expand federal-state tax partnerships to eliminate duplicative tax requirements and allow a single filing. Savings: \$1.5 billion in reduced burden on taxpayers.

Customs met with shippers all over the country and designed a new automated system for handling shipments—a system so simple that most cargo is now cleared before it is even unloaded. Information is collected monthly instead of transaction-by-transaction, and companies have just one Customs account, rather than one for every port through which their shipments pass. (One Miami company used to file some 700,000 forms every year; now it files one per month.¹⁵) In the meantime, Customs is in the process of clearing out most of its current regulations and designing new ones, with the help of shippers themselves. Despite the need to completely overhaul their own procedures, businesses are delighted. Time is money; their objective is to move cargo. Now that's Customs' objective too. The bonus is that voluntary compliance with Customs duties and apprehension of violators are increasing as well.

Progress Report: Negotiating, Not Dictating

When government representatives “get out of Washington,” meet with customers and front-line employees, and start addressing problems on the ground—not in the rarefied air of the Capital—understanding grows. With understanding comes trust, and a willingness to arrive at agreements jointly, without the intervention of enforcers and lawyers. It's common sense. It's also a world away from the “Decide-Announce-Defend” approach the government has used for years. As Philip Howard explains, “Sensible results come out of discussion and negotiation, not from seizing technicalities and parsing legal language to achieve a victory.”¹⁶

Some agencies have been moving toward regulatory negotiation for a few years. EPA has conducted 16 negotiated rule-setting programs in the last ten years. USDA and the Department of Transportation have also used “reg-negs,” as they're called. Agencies like OSHA and the Nuclear Regulatory Commission are using online computer systems to give as wide a range of customers as possible an easy way to comment on proposed rules. This year, as part of President Clinton's 100-day governmentwide regulatory reform initiative, agencies identified more than 40 high-visibility issues that were ripe for negotiated rulemaking.

EPA has gone even farther: its “Common Sense Initiative”—a dramatic departure from its old “command and control” way of operating—has brought together teams of industry representatives, labor, environmental groups, community organizations, and government officials at every level to find ways to change complicated, inconsistent, and costly regulations. Even more unusual, it focuses on six specific industries: auto manufacturing, computers and electronics, iron and steel, metal finishing, petroleum refining, and printing. Under the new initiative, “We're taking all the regulations that relate to the individual industry and putting them on the table,” EPA Administrator Carol Browner says. “We're going to seek the best way for that industry to meet environmental standards to ensure clean water and clean air.”¹⁷

Ask industry how it should be regulated? Who else knows the problems, and the potential solutions, better? So long as the government establishes standards that protect the public, why not let the industries and other affected stakeholders help figure out how best to get there? Government, industry, and the public share a com-

mon goal—a cleaner environment at less cost to taxpayers and businesses. The stakeholder groups are looking for common sense approaches to regulation, pollution prevention, reporting, compliance, permitting, and technology. The principles of this new partnership are to seek consensus on how to reach the goal, focus on prevention, develop industry-specific solutions rather than trying, as Browner says, to make “one size fit all,” and maintain tough standards.

In a way, it’s borrowing an idea from the past. As General George S. Patton said, “Never tell people how to do things. Tell them what to do, and they will surprise you with their ingenuity.”¹⁸

The Road Ahead

As *Newsweek* magazine pointed out this year, in the old federal government the theory was that if you just stipulated every possible regulatory circumstance, a robotic army of inspectors could go out and enforce the rules.¹⁹ The trouble is, circumstances differ, conditions change, life goes on. And the government went on too, but with the same inflexible, red tape-tangled procedures it had always used—in some cases, since the beginning of the Republic.

There’s an old saying: “If we keep on doing what we’re doing, we’re gonna keep on getting what we’ve got.” Americans don’t want “what we’ve got” anymore. We want a government that delivers results, that keeps up with change and actually helps people, businesses, and state and local governments adapt to those changes. We want, in fact, an *enterprising* government, one that moves as quickly as the rest of our society, one that works with us, listens to us, and acts on the things we need in a more efficient, more effective, and less costly manner than it has in the past.

And that’s what we’re beginning to get. Agencies that treat their customers as partners. That cut rules long out-of-date and make those we still need sensible. That seek to find ways to achieve public goals without damaging the structure of private enterprise that supports us. That remember that the purpose is progress toward those goals, not punishment for those who violate—often unwittingly—rules that are obscure or pointless. And that reward their own employees for doing the right thing, not simply for doing things right according to the rulebook.

As *The New York Times* said, it is a “quiet revolution.”²⁰ But revolutions take time, and no one is suggesting the government’s got the problems all licked. There is progress, but there is a great deal that remains to be done—and indeed, it is never finished. New laws get passed. New regulations get written. The government’s task is to ensure that those rules are clear about what needs to be accomplished, but flexible about how.

What government reinvention does is reinstate the promise of common sense in self-government. President Clinton has already described the result: “a government that is limited but effective... that does better what it should do and simply stops doing things it shouldn’t be doing in the first place, that protects consumers, workers, and the environment without burdening business, choking innovation, or wasting the money of the American taxpayer.”²¹

Notes

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