Policy makers come to think in the categories provided by scholars. Politicians, said Keynes, "are the slaves of some defunct economist."1 By looking at the interplay between the academy and the world of affairs, I attempt to discern how our understanding of public affairs is changing, even while that change is underway, and how in, say, ten or twenty years, the work of our profession will differ from today. To what ideas are we apt to be slaves then? My argument has six parts.

First, in the past quarter century the dominant metaphor in the analysis of policy and management has been the economists' production function. Not all, but much of what policy analysts have done has involved relating resources and outcomes of government agencies—the bureaucracies through which government carries out the bulk of its activities. Even at the beginning of this period, Aaron Wildavsky,2 Herbert Simon,3 and Charles Lindblom4 were demonstrating the inappropriateness of attributing a single consistent set of objectives and desired outcomes to a government agency in a pluralistic society. Nevertheless, whenever evaluators relate an outcome measure to an array of input variables (typically by means of regression analysis, the statisticians' standard technique for measuring an empirical relationship among two or more variables) they are, often unwittingly, resting their work on the notion of a production function. Construing a public agency's actions thus is not merely an obvious way to describe what government does; it is a reflection of a notion deeply imbedded in the discipline of economics.

Economics is sometimes defined as having to do with the relation between inputs and outputs. The discipline's analytical and predictive power, however, comes from joining the input-output construction with the argument that maximization—efficiency—characterizes the transformation. Consumers are said to maximize utility; producers profit. The production function is the economists' name for the relationship by which a firm makes

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**Editor's Note:** The following article is based on the presidential address delivered at the 1987 Annual Meeting of the Association for Public Policy Analysis and Management.
outputs from factors of production—efficiently. The relationship is hypothe-
sized to be efficient, that is, to yield the most output possible for a given level
of input, because the firm is assumed to maximize the difference between
revenue and expenses. Furthermore, economists claim that even if not all
firms are inclined to maximize profit, competition forces those that would
survive to do so. Thus, to regress a firm’s output on its inputs is to capture an
efficient relationship, one which, until there is a shift in technology, can be
used to predict future behavior.

In recent decades some have thought to replace this standard explanation
with a behavioral theory of the firm, and in the current decade others have
striven to shore up received doctrine with a new economic theory of
organizations. In due course I will take up those developments. Here it is
necessary to note that beginning in the early 1960s the scholarly and political
attractiveness of program budgeting, the ready applicability of regression
analysis, and the recollection that generations earlier Max Weber had
described a bureaucracy as a disciplined and therefore efficient entity—
combined to bring about a great outpouring of analyses relating the inputs
and outputs of government policies.

Policy analysts have regressed damage limiting capability on defense
expenditure, the quality of family relationships on professional casework,
juvenile delinquency on counseling, the health of families on publicly
provided housing, and, most notably, student achievement on an array of
variables that describe school and home life. The economists’ production
function is a remarkably powerful metaphor. It has profoundly influenced
our perception not only of firms but of bureaucracy. Accustomed to attribut-
ing both intention and mechanism to firms, policy analysts slipped into
implicitly attributing those characteristics to bureaucracy as well. Politici-
cians fell in step, attempting policies derived from, and dependent on, that
metaphor.

Policy making came to be thought of as choosing from among an array of
possible objects of expenditure, the costs and benefits—inputs and
outputs—of which have been assessed by policy analysts.

Second, that perception is eroding. Empirical results of attempts to relate
government’s inputs to its outputs have been discouraging. Indeed, the most
important finding of policy analysis in the past several decades is that for
much of what government does, on the average there is almost no relation
between inputs and the society’s intended results, no link between expendi-
tures and outputs. The research of President-elect Eric Hanushek has
established this sad fact for elementary and secondary education, the largest
single object of expenditure for state and local government in this country.

No one rejoices at that finding. It remains so stunning, so implausible as
not yet to have been widely assimilated. (It implies, for example, that the
budget, which we are accustomed to claiming is the central instrument of
policy, is, in fact, a weak tool. It undermines much of what my political party
thought it was about in this period.) But eventually it will be accepted, and
when that happens both policy analysis and policy making will be changed
permanently.

In the meantime, their production function metaphor crippled, policy
analysts have been groping in several directions for a satisfactory alternative
conception of how to think about improving government. Many, while
acknowledging ineffectiveness for a set of programs on the average, have
attempted to find exemplary outliers and to identify their characteristics in
the hope that such knowledge will lead to replication. In that fashion the
Effective Schools movement has found good schools to be associated with
strong leadership, an orderly environment, the teaching of basic skills,
setting high expectations for students, regular monitoring of students'
progress, and a sense of the school as a community.9

Sad to say, though that information has been widely disseminated, it has
not been nearly as widely acted upon. In education as in other parts of
government what we know does not necessarily inform what we do.

Another response to the disappointing results of production function
estimation is reflected in the last word of our organization’s name. In the
1970s public policy schools began adding management courses to their
curricula in the hope that better implementation could enliven unsatisfac-
tory governmental endeavors. Have we been successful? Have our hopes been
realized? Ask yourself whether the following excerpt from Charles Wolf’s
1981 presidential address to this body is any less true today than then:
“While our capabilities, our analysis, our training, and our craft have all
improved impressively, the reality of public policy as it has shaped up (in
recent years), has come to display a disarray that might be likened to
Brownian movement. The result is a profoundly sad and sorry condition of
the public policy domain. . . .”10

Third, I suggest that the explanation for Charles Wolf’s paradox lies in the fact
that the great bulk of government’s policies are implemented through bureau-
cracies—that is, technically, through organizations in which workers are managed
by being subject to directives, but rarely rewarded, penalized, or inspired.
Bureaus are not the goal-oriented mechanisms for which the idea of a
production function was invented. Indeed they may foster self-interested
rather than socially productive behavior as they erode the idealism with
which their members came to the jobs that so often eventually grind them
down. The founders never envisaged the immense executive branch bureau-
cracy of our time. Barry Weingast and Mark Moran’s intriguing research
notwithstanding, there is no contemporary theory that would permit us to
expect bureaucracy to be other than inefficient (and, I would say, demora-
lizing).11

As policy analysts have demonstrated the perverseness of bureaucracy they
have corroborated the hunch of the citizenry and the impression of leg-
islators.

An emerging economic theory of organizations offers an explanation for
the disarray. In it, self-interested principals contract with self-interested
agents to carry out tasks. The political scientist, Terry Moe, acknowledges
this new subfield, principal-agent theory, as “the dominant framework for
the formal analysis of hierarchy.”12 According to the new theory, in bu-
reaucracies egoistic individuals create slack (i.e., inefficiency) and appro-
priate it for themselves in the form of leisure or perquisites of office. Even
more ambitious is the work of James Buchanan, a recent recipient of the
Nobel Prize in economics and the most distinguished devotee of this new
science which he recognizes as a branch of public choice theory.

Fourth, Buchanan avers that because of the importance of preventing the
imposition of the views of policy analysts, legislators, or bureaucrats on the
public, “the constitution of policy rather than policy itself (is) the relevant object
for reform.”13 Here, succinctly, is the argument of this new science of
government: Government as we know it is inefficient and meddling because it substitutes the judgments, preferences, and comforts of politicians and bureaucrats for those of other citizens. The task of students and practitioners of government, it is said, is not to analyze and implement policies—which, to the extent that they reflect the desires of those in authority, will necessarily be inefficient and unjust. Rather, the job is to design government's institutions—its constitution, in Buchanan's word. Bureaus and legislatures are to be constructed not to substitute the judgment of officials for that of citizens, but so as to permit (as in a market) the maximum expression of individual choice of citizenry.

I suggest that policy analysts and politicians will conclude that the Buchanan conception is half right. Yes, the task of analysts and politicians is the design and evaluation of institutions devised so as to be oriented to produce desired outcomes. But:

Fifth, no, it is not adequate to reduce political life to aggregating the self-interested, exogenously determined preferences of autonomous individuals. Policy analysts, not trapped by a single discipline, will see that to ignore the formation of persons—as economists do when they insist on treating preferences as exogenous—is to miss much of what is distinctive and noble about human beings. And politicians are quite aware of their capacity, for good or ill, individually and through the institutions of government, to lead, inspire, invigorate, and change the citizenry.

I believe, and I hope you do too, that persons can bring a different ethic to politics than to the grocery store.14 Fortunate are those, says Albert Hirschman, who are granted the duty to serve.15 I believe that to perceive a group as nothing but an aggregation of individuals is not to recognize that we—including our preferences—are formed in institutions.

Sixth, designing the institutions through which government carries out its work is a matter of acknowledging self-interest while giving persons opportunities to practice other-mindedness—both because that is good in itself and because it has instrumental value. If policy makers have done their work well, then self-interest is not only harnessed but civilized.

For example, when a school is a community rather than a bureaucracy, its teachers, students, and parents are enlivened as they get practice in other-mindedness—and the students are apt to learn more.16 More educational improvement is likely from school site management and increased parental choice than from additional spending. Increasing expenditure is a much less promising means of bringing about educational improvement than is changing the institutional structures through which our children are educated.

We should seek in many instances to replace bureaucracy with community as an organizing principle. That is today's version of an argument made by the Anti-Federalists 200 years ago. It comes to this: Government as currently organized is important but cumbersome and ineffective. It has major responsibilities but should carry out much of its work through institutions close to home, that is, through communities—think of the school site management example—whose natural cohesion sustains and inspires. Long ago Emile Durkheim saw that "social relations are not capable of assuming this juridical form (of contracts)."17 To Chester Barnard, "the need for communion is a basis of informal organization that is essential to the operation of every formal organization."18

My legislative agenda for Minnesota is one of choice and community. It
reflects the capacity of Americans to accommodate what may at first appear to be dissonant ideas. We can be fulfilled and productive when we choose to lose ourselves in family, community, clan, polity. This is a modest proposal, not for collectivism but for associativeness. While the political right and left engage in a tug of war for intellectual successorship to de Tocqueville (who remains the most insightful commentator on individualism and associativeness in this country) I note that choice, the capability to disassociate, is the individual's and the society's protection against repression and bigotry, the dangers of policies informed by a communitarian ethic.

In summary, the interplay between policy analysts and politicians is showing the way to a new—and old—conception of what we are about. It construes our task not as evaluation and choice of policies but as institutional design. It recognizes that we are formed and fulfilled in institutions, and it reaffirms with Steven Rhoads, Steven Kelman, and James Madison that our country is not possible—not to say good—unless there are public-spirited citizens, bureaucrats, politicians, and policy analysts.

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