

Run Statehouse as Business and Get More for Less Government: Bureaucrats are taking cues from entrepreneurs to satisfy public demand for services in lean times.

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All across the country, as governors and mayors take the oath of office, their inaugurals are being shaped by one simple fact: Their states and cities are in terrible financial shape. Barred from deficit spending, most states are facing Draconian choices: Raise taxes, cut services or, even worse, do both simultaneously. Nevertheless, more and more of these elected officials are seeing the current crisis as a golden opportunity-to totally reinvent government.

The intellectual father of this movement is David Osborne, a Massachusetts writer. References to his new book, "Reinventing Government: In Search of Excellence in the Public Sector," about smaller, better, more "entrepreneurial" government, have been popping up in inaugural speeches all over the country. Osborne's principles are about to undergo their first large-scale test in Florida, where the new governor, Lawton Chiles, has enlisted his help.

Like other states, Florida suffers from a severe shortage in tax revenues. Yet Chiles promised in his inaugural address that he would not raise taxes until "we have earned your confidence by being more efficient, effective and accountable." This makes traditional Republicans happy, since they are always looking to shrink the size of government; and it makes traditional Democrats nervous, accustomed as they are to equating government size with government effectiveness. But Chiles seeks to transcend the old stereotypes. In the words of Doug Ross, one of Osborne's colleagues working with him in Florida, "The challenge is to do what private corporations have been doing- restructure operations and organization to increase productivity-which should provide more for less."

More for less. It sounds like a pipe dream until you stop to think that the private sector of the economy does it all the time: That's what increasing productivity is all about. Two of the most recent success stories, microwave ovens and VCRs, have gotten better and better and cost less and less. Is it possible that the same thing could happen with government services?

According to Osborne, it is. But first government needs to abandon the old paradigm of "bureaucratic governments" and adopt the new paradigm of "entrepreneurial governments." Entrepreneurial governments inject competition into public service, tie government spending to results and give people a choice among service providers. The sum total of these principles is to move the delivery of government services out of large bureaucracies. Government causes things to happen without necessarily trying to do everything itself. "The big savings," according to Ross, come "in eliminating the need for the middlemen."

Aside from the current fiscal crises, there are two reasons why Osborne's theories are apt to be appealing. The hierarchical, centralized bureaucracies characteristic of most state and local governments have experienced their share of sometimes deadly failure. In New York City, for example, people who died in a recent subway fire were the victims of a bureaucratic mess that had allowed the exhaust fans that could have prevented their deaths to sit in an Ohio warehouse for 13 years.

Second, Osborne's theories are derived from actual experiences in successful government. In Phoenix, Ariz., competitive bidding in garbage collection has reduced solid-waste disposal costs 4.5% a year over a 10-year period. In Fairfield, Calif., the line-item budget was replaced by a mission-driven budget, resulting in significant flexibility and savings in the police department. Harlem's Community School District No. 4 began giving students choices among a variety of alternative schools in 1974 and transformed a school district that was at the bottom of the barrel to one nearer the top.

The principles behind the reinvention of government are obvious in New York, where Andrew Cuomo, son of Gov. Mario Cuomo, runs programs for the homeless that provide housing and services at two-thirds the cost of housing a homeless family in a New York City welfare hotel. Andrew Cuomo has a lot in common with Fernando Noriega in Tampa, Fla., who managed to renovate 778 housing units in a year compared to 37 units previously renovated by that city's traditional bureaucracy, and with many other entrepreneurs in this new model of government. To those who are willing to listen, they are part of the evidence that the current fiscal crises of the states and cities need not doom us to less service for more money.