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The Urban Fiscal Crisis  
Becomes Routine

by

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The Urban Fiscal Crisis Becomes Routine.

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## Abstract

For many American cities, fiscal crisis has now become fiscal routine. It is now five years since the advent of the acute stage of the New York City fiscal crisis, and in the intervening years numerous other cities have faced their own "financial emergencies." With this time perspective in mind, it is now appropriate to re-examine some propositions suggested earlier in this period, and to examine the conduct of urban management in a time in which fiscal stringency has become more the norm than the exception.

This paper will re-examine the performance of urban administration in portions of the New York City government, and will report on some of the variations in management which have occurred in the post-crisis period. It will also investigate the behavior of those with supervisory responsibility over urban managers, to examine how the external constraints on urban management have evolved as fiscal stringency has become routinized. (As just one indicator of this change from crisis to routine, the New York City Emergency Financial Control Board, the state monitoring agency with responsibility for overseeing New York City expenditure practices, has now dropped the word Emergency from its title.)

One clear consequence of the New York City fiscal crisis is that the amount of information generated about city agencies has dramatically increased. Perhaps because one element of the crisis was the apparent inability of city officials to provide adequate and current information on the state of municipal finances, considerable effort has obviously been put into the generation of extensive statistical summaries of the financial situation of both the city as an entity, and also its component agencies. As a by-product of this effort, additional data is also generated on the management of these agencies.

Since the "solution" of the N.Y.C. fiscal crisis required the continuing presence of outside monitoring bodies, the reports generated by and for these external controllers provides an additional source of data about municipal operations. While there is no reason to expect agency heads to be especially forthcoming in their presentations to these outside bodies, the very fact that they are called on to endlessly report to outside monitors itself can influence their behavior.

In this study, I am focusing particular attention on the ways in which different city agencies present themselves to this small but vitally important "attentive public." I will be particularly interested in their use of "productivity measures" which actually relate to departmental effectiveness. For the purposes of this research, I am less interested in the improvement (or deterioration) of service which these indicators show, but rather in whether the indicators are developed in the first place.<sup>1</sup>

I suggested in earlier work that environments of budgetary stringency change the incentive systems which operate for municipal decision-makers, particularly those with agency administrative responsibilities. In the

American context, "fiscal crisis" has brought with it an accelerated entrance into the decision-making process of "outsiders," -- individuals with supervisory responsibilities whose values are closer to those of the business community than of traditional urban public-sector decision-makers.<sup>2</sup> We ought to anticipate, I argued, that models of "success" in the private sector would be emulated by those public sector agency heads who saw fiscal crisis as a common feature of urban administrative life, and who hoped, nevertheless, to "make a name for themselves" by effectively administering under stringency.<sup>3</sup> One component of such a personal strategy, I now suggest, would be the adoption of a form of measurement of agency effectiveness comparable to the data which private sector managers are routinely expected to produce.

To argue that the incentive system for urban public managers works in this way is not to assume an identity, or even much of a similarity, between public and private management. Rather, it is based on a view that if those with policy control increasingly come to be made up of individuals who share the "business ethic," that ambitious public managers will present themselves in ways which conform to the expectations of that ethic.

A variety of hypotheses can be developed about the possible circumstances which will lead to agency ability to present itself in "businesslike" terms. In one interpretation, which I will call the "sectoral" perspective, some public agencies have missions which are closer to those of private sector organizations, and are, therefore, more easily measurable in "efficiency terms." "Hard" public services -- those with an engineering component -- are sometimes thought to be more readily adapted to the use of such indicators than are the "softer" urban social services.<sup>4</sup>

A second hypothesis focuses on availability of resources, and more particularly on changes in the availability of resources. Those agencies forced into the severest forms of stringency, -- those agencies with the largest percentage reductions in their budgets -- will have the least slack available for the commitment of time and effort needed to generate such information, while those agencies with the least extensive reductions will be better able to afford such "luxuries."<sup>5</sup> I shall refer to this hypothesis as the "budgetary change" perspective.

There is, of course, an almost completely opposite hypothesis, in which it would be argued that since agencies under the greatest pressure to cut back will have the greatest need for efficiency and therefore they will be the most likely candidates for developing measures of output effectiveness. This view, while widely held in the general public and a staple of political speechmaking, finds little support in the literature on administration. But both perspectives about the impact of budgetary stringency, whether they see it as a useful prod or an obstacle to effective management, have in common a perspective which sees change in agency budgets as a significant determinant of the presence or absence of the types of managerial changes being considered here.

A third hypothesis focuses on individual leaders. In this perspective, the key determinant of the adoption of effectiveness measures is not the nature of the agency's mission nor its status with regard to funding cutbacks, but rather the "accident" of the values and interests of the individuals who come to have managerial responsibility in the various municipal agencies. I will refer to this view as the "quality of management" perspective.

There can be no question about the sensitivity of outside observers to municipal performance in the development of such indicators. While concern with "productivity" in the municipal workforce was first made a part of public political discourse in the Lindsay Administration,<sup>6</sup> the advent of the fiscal crisis has brought into the public sector a greater number of individuals with significant private sector experience with such efforts, and more significantly than their entrance alone, has brought them into positions of significantly greater power (if not control) than was true for any earlier group of private sector advisors.<sup>7</sup> The first head of the New York City "Office of Operations," a part of the Mayor's office with responsibility for administering the city's "Management Plan," was a high-ranking executive of New York Telephone, on loan to the city (and with the telephone company continuing to pay his salary).

The position of "outside experts" from the private sector has changed from one of advice-giving to placement in positions of potential control over agency administrators. Thus, even if agency administrators have even more limited resources than during earlier periods, the salience of "business advice," or at least the perceived utility of demonstrating an ability to operate one's department in a "businesslike" way, will surely attract their attention as it would not have before.

But in addition to this view that business leaders were more significantly placed as potential controllers of agency administrators in the post-fiscal crisis period, agency administrators would also have been aware that similar themes were being articulated within the city's political leadership. While it is always difficult to systematically assess the centrality of any elected official's statements to his actual operating system when in power, Mayor Koch has placed more emphasis on developing "good management" within his administration than had been



true in previous administrations.<sup>8</sup> While such a rhetorical commitment is obviously no guarantee of action, it once again reinforces the point that the politically sensitive and ambitious administrator would have seen many reasons to be responsive to requests from superiors that he develop measures of agency effectiveness.

In addition to pressures for "hard indicators" from supervisors interested in detecting targets for possible future economies, the post-crisis administrators also faced pressure from his rank-and-file workforce. This workforce, heavily unionized in New York City, had agreed in the first round of collective bargaining after the beginnings of the fiscal crisis to wage increases which would be tied to demonstrable improvements in agency "productivity." Satisfying one's workforce, therefore, required administrators to develop indicators which, while acceptable to external watchdogs, were also sufficiently flexible to allow employees and their union leaders to feel confident that the outcome of "productivity" measures would be sufficiently positive to justify "Cost-of-living" wage increases.

While this direct tie between productivity and wage increases was dropped in the first round of contracts signed during the Koch Administration, the politically sensitive administrator would still have experienced a period when the demand for "hard indicators" of agency success meant one thing to top municipal leadership and external monitors, and quite another to employee groups.

One of the classic problems with effectiveness indicators, of course, is the likelihood that administrators will manipulate them in such a way as to present themselves as improvers of their agency's performance. While this concern persists, there are several factors which make it somewhat less significant in times of budgetary stringency than might otherwise be the case.

Of primary importance is public reaction to fiscal crisis, at least the reaction as it has developed in New York. A number of city administrators interviewed in this research described a sense of lessened public expectations as one of the most surprising outcomes of the fiscal crisis.<sup>9</sup> Although New Yorkers "do not suffer in silence," as one former top administrator put it, he also suggested that New York had seen a:

"declining level of public expectations. People expect government service to be poor and civil servants to be lethargic. They accept a level of poor performance."

Another administrator, who had held both central and line agency responsibility argued that:

"there has been a stunning decline in public demand for services. People won't ask for anything. When we ran a surplus last summer I asked people what they thought of this they said it's a good thing, we've turned the corner."

"We've sinned in the past and we don't really deserve to have any money spent. Where I sit now /in a line agency supervisory position/ there is a lot of demand for increased services, but it is easily turned aside in a surprising number of cases. I think the most surprising thing is the lack of demand from minority groups. There's a general belief that the city can't afford to do it. The mayor has been very successful in creating that belief."

Attitudes of this sort among top administrators, both in central policy positions and in line administrative work, suggest that some of the risks of showing "poor performance" in management reports are lessened as the general public comes to see such results as "inevitable." On the other hand, I am suggesting that an environment of fiscal crisis increases the incentives for managers to take steps to "look good" to those external monitors who are perceived to have the ability to financially reward and punish the agency. An example of attitudes of this sort can be found in the remarks of another line administrator, who compared the responses of two commissioners in other departments in responding to external monitors:

"the city wanted to have an MBO program and they selected two agencies to do it...one did nothing with it, but the /Commissioner of the other department/ went at it hammer and tongs. He saw that as a way of getting control of the department. It was a way of putting in performance standards and saying it was coming from on high."

After providing this favorable evaluation of what had been done in another agency, this administrator went on to describe the tactics he was using in his own department:

"We like to be the first in the city to do something. You get some credit for doing it, and since you're first you're not compared to anybody else. We volunteered to install measurement systems throughout the city /to measure the department's effectiveness/ and we have been able to acquire additional capital equipment."

The extent to which an administrator might be willing to use effectiveness measures could also be related to the perception held about the extent to which the New York City government had become more "businesslike." One former central administrator saw relatively little of this:

"The private sector was of little importance. Some people were imported but they made little impact.../The real significance of the fiscal crisis/ has been how resistant the city has been to change. It failed to change the governmental process, although the structure of power has become more elite-like."

Predictably, this administrator saw little value in the types of productivity measures which agencies were required to generate.

This perspective can be sharply contrasted with the views of a current commissioner:

"This is a business. You can run almost any city agency like a business. It depends on how you define your bottom line. For an agency like this it's straightforward, we produce a consumable service, it's measureable, and a price can be put on it."

His agency produced detailed output measures which related to service quality. His task of course was simplified, as he himself recognized, by the "hard" nature of his service, one that "is measureable," and can have a "price put on it." But despite his recognition that "measurement" was easier in his service than in some others, this commissioner nevertheless felt that similar types of measures could be developed for "almost any city agency."

Another commissioner, with responsibility for a "soft" social service, partially disagreed. His perception, mirroring Anthony Downs' classic formulation,<sup>10</sup> was that:

"the fundamental problem of New York City is the same as for all government, they don't make a profit. As long as they don't make a profit, the incentive for people to do a good job is just not there. If the city was to allow people to make a profit, to make a few extra bucks, I think the services would be uniformly better."

Although this commissioner has responsibility for a social service, it is interesting to note that his formulation would apply to the "harder" engineering services as well. But a feeling that profit standard was unavailable did not mean, in this commissioner's perception, that no measurement of success was possible. He listed a wide variety of specific indicators of program success which he had put into position, and indicated with pride, "those are things that were never done before."

Another line administrator had a different perspective. He saw the external monitoring structure which had developed in New York City in the aftermath of the 1975 fiscal crisis as an example of missed opportunities for structural reform. The external structures, particularly the Emergency Financial Review Board, were:

"a resource which was used somewhat, but not as much as it could have been. It could have put pressure on social service agencies to reform their practices, but not much of that happened."

For this official, external constraints were potentially positive, but had not been fully exploited. Just as the Emergency Financial Control Board, so too other external actors had opportunities for influence which had not been fully realized:

"The feds were a resource for us, they came in to insist that the city not modify its financial plan upwards, but in terms of programmatic priorities, no. There was a lot of impact from the banks, the federal government, and from Proxmire about what should be done, but there was no sign of impact in shaping what actually was done in terms of city services, where the city spent the money."  
(emphasis in interview)

In similar fashion, this administrator believed that:

"The fiscal crisis was an occasion to handle a lot of small management problems, but not the major things."

And in distinction to some of his colleagues quoted above, this administrator felt that the use of productivity indicators was nothing more than sham. To the extent

they had any real meaning, it had disappeared after the municipal labor contracts of 1978 broke the tie between productivity improvements and "cost of living" wage increases:

"With the labor contracts of 1976 when there was a tie to productivity there were significant changes, dollar savings. The majority were sham, but there were some real things. But when the Mayor gave them all away in the second post crisis contract, that killed them. We didn't preserve anything that had been done previously."

As this variation in opinions demonstrates, administrators in N.Y. City had diverse interpretations of the impact of the fiscal crisis on municipal management, and of the value of the efforts of external monitors to improve the city's administration. Not surprisingly; therefore, we also find considerable diversity in the ways in which city agencies responded to external directives for management reform which they received.

In the next section of this paper, I shall present data on two examples of this variation in response. One indicator will be the ways in which various agencies complied with the requirements of the revised New York City Charter for a municipal "management report." The revised charter requires that the report contain, for each city agency:

"program and performance goals for the current fiscal year, to include a statement and explanation of the performance measures, and a statement of actual performance for the first six months of the fiscal year relative to goals; and, the proposed program and performance goals for the next fiscal year."<sup>11</sup>

The first such report, issued as the Mayor's Management Report, appeared on February 20, 1978.<sup>12</sup> I shall be particularly interested in the extent to which the "performance measures" included for the various municipal agencies include indicators of actual program outputs and effectiveness. As will be seen below, not all agencies produced indicators of this kind.

The second data set I will be examining consists of responses of municipal agencies to "Cost Reduction Memoranda" submitted to city agencies by the Emergency Financial Control Board. The Financial Emergency Act of 1975, the New York

State legislation which established the Control Board, gave the Board the authority to:

"recommend to the City and the covered organizations /municipal agencies not under direct Mayoral supervision/ such measures relating to their operations, management, efficiency and productivity as it deems appropriate to reduce costs and improve services."<sup>13</sup>

By June, 1979, the Control Board had submitted 69 such memoranda to city agencies. At that time the Office of the State Comptroller, Office of the Special Deputy Comptroller for New York City (which conducts much of the detailed work on behalf of the Control Board), codified the responses made by city agencies, the amount of time it took the various city agencies to respond, and the Special Deputy Comptroller's evaluation of the responses made. These two data sets, therefore, provide good summary indicators of the ways in which New York City agencies presented themselves to their external supervisors in the years immediately following the fiscal crisis of 1975, and of the ways in which they were perceived by these supervisory authorities.

Use of Effectiveness Measures

For each of the major agencies included in the 1978 Mayor's Management Report, the "Operating Statistics" portion of the report has been categorized for this study as to whether the reported measures do, in fact, provide meaningful indicators of the service effectiveness of the agency. There can be no question that agencies saw themselves as under a mandate to produce some type of data, but the variation in data presented suggests considerable agency freedom in what types of information they decided to include.

Agencies are grouped together by the quality of the indicators they presented:<sup>13a</sup>

Agencies with good indicators of program effectiveness as of 1978

Department of Correction  
Department of Environmental Protection  
Department of Parks and Recreation

Agencies with fair indicators of program effectiveness as of 1978

Board of Higher Education  
Department of Finance  
Department of Health  
Health and Hospitals Corporation  
Department of Housing Preservation and Development<sup>14</sup>  
Housing Authority  
Police Department  
Department of Sanitation  
Department of Transportation

Agencies with poor indicators of program effectiveness as of 1978

Board of Education  
Fire Department  
Department of General Services  
Dept. of Mental Health, Mental Retardation, and Alcoholism Services  
Department of Social Services

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Examples of good effectiveness indicators

Department of Correction

Number of escapes  
Number of "unusual occurrences involving gross violations of institutional order"  
Number of inmates taking and passing high school equivalency diploma exam.  
Percentage of "priority cases" delivered to State Supreme Court by 9 a.m.

Department of Environmental Protection

Average time to repair water main breaks  
Backlog of broken hydrants  
Percentage of effluent complying with federal standards  
Average catch basin complain response time  
Percentage of days with air quality rated "healthy"

Department of Parks and Recreation

Percentage of play equipment useable  
Percentage of playground benches useable  
Percentage of tennis courts useable  
Percentage of comfort stations useable  
Percentage of drinking fountains useable

It should be recognized that the use of these indicators could not be explained simply by an agency desire to present favorable statistics to the general public, since the data presented under these headings do not necessarily show the agencies involved to have especially effective programs.

For the Department of Correction, twenty-two escapes were reported (compared to a "plan" of only eight), and less than half of those inmates taking the equivalency diploma test passed. (The Department did report that the number of "unusual occurrences" had declined from 684 the year before to 521, and that 100% of "priority cases" were delivered to court by 9 a.m.)

The Department of Environmental Protection report showed either declining or stable indicators of service effectiveness. The percentage of effluent complying with federal standards declined from 90.4% to 85.7% (and compared unfavorably to a "plan" for 90.5% compliance.) Average catch basin complaint time to completion of repairs increased from 18.2 days to 19.9 despite a "planned" reduction to 14.0. (Data for the other three statistics reported above all remained at relatively constant levels of effectiveness from the year before.)

In the Department of Parks and Recreation, in all cases but one where the department made a comparison with either past performance or "plans," its indicators showed declining performance or failure to meet the agency plan. (The one exception was percentage of comfort stations useable, which improved from 53% to 65%).



Since it is clear that these data do not show particularly high program effectiveness, it is obviously not the case that the agencies using these types of indicators were a self-selected group of "successful" departments. Rather, it is the argument of this paper, that such reporting is of utility to agencies which wish to "look good," not to a general public concerned with public services, but to a specialized group of elite observers interested in agency management techniques.

Not all agencies responded in this fashion, of course. But what distinguished the agencies which I have classified as having either "fair" or "poor" indicators was not the level of performance shown, but the relative absence of measures of program effectiveness. Agencies were classified as "fair" if they presented data which indicated something about their costs or scope of services, but did not extend these measures to indicate program impact.

Thus, within the "fair" category are agencies such as the Board of Higher Education (City University), which reported the cost of education per full-time-equivalent student, but no indicators of the educational performance of these students. The Department of Finance produced dollar figures on arrearages, but not on arrearages collected. The Department of Health showed figures for "average time to inspect 'immediate' complaints," defined as complaints which pose an imminent danger to public health (and showed that the average response time was 3.3 days), but produced no figures on the impact of its services on the public health of the population.

Agencies classified as "poor" produced few if any indicators which were service-related. The Board of Education did reproduce New York State figures on percentage of students reading at or above grade level in the third and sixth grade, but produced no data of its own on educational performance, and little in the way of information which might relate costs and services. Thus, "cost per pupil" was calculated, but not tied to any measure of output.

In a "harder" service, the Fire Department reported on fire alarm responses, but presented no information on either costs or on effectiveness in extinguishing fires or in fire prevention. The Department of General Services reported on expenses in building cleaning, but not on building cleanliness, and its indicators of supply acquisitions were numbers of purchase orders issued and costs of goods purchased, without any suggestion as to how such numbers might be interpreted to indicate efficiency in supply acquisition. And the Department of Social Services reported on numbers of cases receiving public assistance in its various aid categories, but little else.

As these summaries of agency reported operating statistics show, wide variation was found in types of reports submitted, and these do not appear to vary by agency type. "Harder" services were not found to have any advantage over "softer" services in producing good measures.

#### Cost Reduction Memoranda

The judgements reported on in the previous section of this paper were drawn from the reports submitted by city agencies to external monitors, but were not the direct judgements of the external monitors themselves. In this section I am reporting on a set of indicators which do show the direct judgements of outside supervisory bodies which came into being in New York in the aftermath of the fiscal crisis.

I argued above that one of the consequences of the fiscal crisis was to put agencies under less pressure to provide "effective" services. Both the interview data and the Management Report data presented here indicate an agency perception that it is not essential in the post-crisis period to show service effectiveness improvement. Cost control is, of course, a quite different matter. We should expect, therefore, that direct suggestions to city agencies from the Emergency Financial Control Board would be perceived by the agencies involved as significant prods to action.

Examination of Cost Reduction Memoranda issued by the Emergency Financial Control Board in the years 1975-1978 shows that few, if any, municipal agencies received no CRM's. But the distribution of these memoranda by agency was decidedly uneven, and shows heavy concentration on certain agencies.

Number of Cost Reduction Memoranda per Department

Health and Hospitals Corporation	11
Police Department	9
Housing Departments <sup>15</sup>	8
Social Services <sup>16</sup>	7
Finance Department	4
General Services; Transportation	2 each
Correction; Health; Mental Health; Traffic; Fire; Higher Education; Housing Authority; Sanitation; Parks; Transit Authority	1 each

This concentration of attention on certain specific departments conforms well to both public and elite perceptions of the major cost control controversies in post-crisis New York City. One former head of an external control agency described the continuing controversies over the Health and Hospitals Corporation as a challenge perceived by minority groups as a "direct taking away of a service they used, as discrimination," and felt sure that the protest engendered by threats of hospital closings was widely felt in poor communities and was not just a reaction by threatened employees. Another described management problems within the housing departments as an example of an area which needed to make considerable improvements, but had not been able to use the fiscal crisis as a lever to do so.

It will be noted that there is considerable overlap, but by no means identity, between the lists of agencies with fair or poor effectiveness indicators and the list of agencies with substantial numbers of Cost Reduction Memoranda. Two of the three agencies with the best effectiveness indicators received only one memo each, and the third received no memos at all.

Since the fundamental goal of the Emergency Financial Control Board was to

keep New York City government spending totals in check, it might be thought that Cost Reduction Memoranda would be targeted toward those agencies which had grown disproportionately in the period preceding the fiscal crisis. Alternatively, it might be argued that Cost Reduction Memoranda were particularly aimed toward those agencies where decisions had already been taken to retrench disproportionately, as a specific prod to comply with a prior, more general, cost reduction mandate.

These two distinctive, but not incompatible, perspectives can be examined by comparing the agencies high on the Cost Reduction Memoranda list with those agencies high in pre-crisis growth or post-crisis cutbacks. James Hartman has provided such a catalogue of New York City agencies and his typology is reproduced below:<sup>17</sup>

New York City Expenditure Functions Classified  
By 1970-1975 Rates of Growth and 1975-1978  
Levels of Retrenchment

High growth, high retrenchment

Higher education  
Courts  
Health  
Housing Authority

High growth, low retrenchment

Correction  
Transportation  
Transit Authority  
Housing development  
Human Resources Program  
Charitable institutions - hospitals  
Health and Hospitals Corporation  
Medical assistance payments

Low growth, high retrenchment

Police  
Fire

Low growth, low retrenchment

Education  
Parks  
Environmental protection  
Social services  
Charitable institutions - foster care  
General government

When we compare Hartman's categorizations with those presented earlier for Cost Reduction Memoranda, it becomes clear that these CRM's were not just targeted on agencies with disproportionate past growth or on agencies "targeted" for high retrenchment. While the high-CRM agencies might indeed have been those with "poor" reputations among external monitors, they are not necessarily the agencies which actually bore the brunt of post-crisis cutbacks.

When we compare these categorizations with the service effectiveness data presented earlier, we see some relationship. All three of the agencies with the best effectiveness data are agencies with low rates of retrenchment. While many low retrenchment agencies presented poor effectiveness data, it may be that the strains associated with the highest rates of post-crisis retrenchment preclude the effort required to develop good data, while low retrenchment may be a necessary but not sufficient condition for the development of good effectiveness indicators. (It should be remembered, in this context, that even these low retrenchment agencies produced service indicators which showed declining rates of effective performance in the post-crisis period.)

But there is no reason to think that low retrenchment was a "reward" for good effectiveness measures. Indeed, the indicators of effectiveness presented here follow rather than precede the retrenchment measures. What is perhaps more intriguing is the absence of much relationship between a reputation for ineffectiveness and high levels of retrenchment. The question for municipal managers during periods of fiscal stringency, therefore, is whether there are indeed incentives for "good behavior?"

The criticism process doesn't guarantee retrenchment, because retrenchment is more a function of the political calculus and funding sources. An agency which conforms to "businesslike" standards may receive less criticism, but not necessarily less cutting. While external monitors may disapprove of this situation in principle, they accept it in practice because their primary goal, that of control of the total budget size, is not jeopardized by this pattern.

External monitoring may have produced a partial incentive for the development of more "businesslike" municipal agency practices, but the incentives provided for compliance were very weak.

I suggested three hypotheses at the outset about the circumstances under which New York City agencies would be likely to develop good "effectiveness" measures. These were the "sectoral," the "budgetary change," and the "leadership" hypotheses. As has been seen, the sectoral hypothesis does not appear to be valid, at least in the context of this study. Neither "hard" nor "soft" agencies were concentrated at the "good" or "poor" levels of effectiveness indicators.

The "budgetary change" hypothesis receives some confirmation, albeit partial in nature. Good effectiveness indicators are found among those agencies with low retrenchment, but there is little reason to think that it was the "businesslike" approach of these agencies which provided them with protection from higher rates of retrenchment.

The tables presented do not permit a direct test of the "leadership" hypothesis, but the interview data presented suggest that at least those with administrative responsibility in New York City at both the central and line levels believed this to be the crucial factor. Agency heads were shown to have varied widely in their perception of the utility of such procedures, and have noticed such variations among their colleagues as well. Individuals who held leadership positions in external monitoring agencies during the period under study made similar judgements as well. "Leadership," in this context, is the personal commitment of the agency commissioner and his chosen subordinates to an emphasis on the types of agency practices admired by outside observers. But given the short-term nature of administrative office in New York City, particularly for those who "look good" to these outside observers, this role for leadership is an insufficient mechanism for long-term service improvement. As the "crisis" routinizes, the routines of public management, which do not emphasize measures of service effectiveness, return to the fore. It is for this reason that those interviewees with external

monitoring experience felt that the opportunity for such agencies to be effective instruments of management change had passed. If they were to play a significant role, it would have had to have been in the years immediately after the crisis began, and would have required that external monitors' judgements about agency effectiveness have been systematically translated into retrenchment priorities. This clearly did not happen in the New York City case.

But this ought to have been expected. I have argued elsewhere that in the immediate aftermath of a fiscal crisis, priority-setting is unlikely because of the shock of the situation and a preoccupation with the crisis' day-to-day details.<sup>19</sup> This is consistent with respondents' reports about the actions of the New York City Financial Control Board.

It is ironic, therefore, to note that in the several years that follow, as the crisis becomes routine, that mechanisms for priority-setting do begin to emerge, that it is possible to identify agencies which appear more "businesslike," and that this variation is visible to external monitors. By the time these procedures develop, however, the opportunity of these monitors to use the crisis as a lever for change has passed by.

The continued needs for fiscal austerity in the aggregate, which still dominate the concerns of the external monitors, combine with the political needs of elected officials to produce a budgetary policy in which information about program effectiveness plays a secondary role. The differential funding sources for different types of programs (and the consequent differential savings achievable by different types of cuts) remain the most central concern of budget officials, while the differential political effects of different types of cuts remain the central concern of elected officials.

The development of "businesslike effectiveness" within agencies, while enhanced in some senses by fiscal crisis, remains largely a matter of the values and skills of the line agency administrator, and not a structured part of a larger municipal incentive system.

Footnotes

1. What is central to this work, therefore, is not the validity of the reports provided, but whether agencies take the risk involved in developing and presenting measures of their performance which are in fact related to agency mission.
2. For examples of this argument see:  
Raymond Horton, "Sayre and Kaufman Revisited: New York City Government in the Post-1965 Period," 1977 American Political Science Association convention paper  
  
Ken Auletta, The Streets Were Paved With Gold (New York: Random House, 1979)  
  
Stephen David and Paul Kantor, "Policy Theory, Political Change, and the City Budgetary Process: The Case of New York City," 1978 American Political Science Association convention paper
3. Andrew Glassberg, "Organizational Responses to Municipal Budget Decreases," Public Administration Review, July/August, 1978, pp. 325-32
4. For an example of this, see:  
Harry Hatry and Donald Fisk, "Local Government Productivity Improvement Possibilities," in Marc Holzer (ed.) Productivity in Public Organizations (Port Washington: Kennikat, 1976) pp. 295-308, which emphasizes the "harder" services in its catalogue of areas for productivity improvement.
5. Charles Levine, "More on Cutback Management: Hard Questions for Hard Times," Public Administration Review March/April, 1978, pp. 179-183, argues that it is difficult to get local governments to invest in productivity during austerity. More directly within the New York City governmental structure, the Office of Operations (the management arm of the Mayor's office) argued that productivity gains could not be maintained in an environment of continuing budget cuts. New York Times, Jan. 17, 1980, B4
6. For an example of these earlier efforts, see:  
Herbert Haber, "The New York City Approach to Improving Productivity in the Public Sector," in Marc Holzer (ed.) op. cit. pp. 159-172. The more recent period in New York City is described in, Mary McCormick, "Productivity Programs and Issues," in Raymond Horton and Charles Brecher (eds.) Setting Municipal Priorities, 1980 (Montclair: Allenheld and Osmun, 1979) pp. 171-194
7. For a review of many of these earlier efforts, see:  
David Rogers, Can Business Management Save the Cities: The Case of New York (New York: Free Press, 1978). Rogers argues that the complexities of New York made a systematically effective role for private sector consultants very difficult, although he continued to think that they might be more effective in smaller municipalities.
8. This is the view of the important outside observer body, the Citizens Budget Commission. See: "A Review of New York City's Management Program," Citizens Budget Commission, Vol. 45, no. 2 (July, 1978) p. ii



9. The interview excerpts presented here are drawn from tape-recorded interviews conducted in December, 1979, with a group of current New York City agency commissioners and other individuals who had occupied significant leadership positions in external monitoring agencies such as the Emergency Financial Control Board and the New York City Office of Management and Budget. All were promised anonymity and the text, therefore, does not identify the agencies with which they serve(d).
10. Anthony Downs. Inside Bureaucracy (Boston: Little, Brown, 1967)
11. Citizens Budget Commission, op. cit., p. iii
12. The source for the data used here is a recodification of material from the Mayor's Management Report presented in:  
Office of the State Comptroller, Office of the Special Deputy Comptroller for New York City, "Fact Sheets for Major Agencies in New York City, Showing Data as of June, 1978" FCB-1-80, June 11, 1979. The data were drawn from an updated version of the 1978 Mayor's Management Report issued on August 18, 1978. Data reported for 1978 was unaudited, and therefore reflects the agency's choice on how to present itself.
13. Office of the State Comptroller, Office of the Special Deputy Comptroller for New York City, "Summary of Cost Reduction Memoranda Submitted to the City as of December 31, 1978" FCB-21-80, June 11, 1979, p. i.
- 13a. These categorizations are mine, not the EFCB's.
14. HPD and HA data were not included in EFCB recodifications of the 1978 Mayor's Management Report. Indicators for these agencies were examined by using retrospective information in the 1979 Mayor's Management Report, City of New York, Mayor's Management Report, April 26, 1979
15. The figure for "housing departments" is a combination of memos issued to the Housing and Development Administration, and the separate departments into which it was subsequently separated.
16. "Social services" memo totals include memos issued to the Department of Social Services and its predecessor, the Human Resources Administration (which included other functions as well.)
17. This table is drawn from James Hartman, "Expenditures and Services," in Horton and Brecher (eds.) op. cit. p. 58. Since Hartman presents his data by "expenditure function" rather than by city agencies, the categories he uses are not identical to those used in earlier tables.
18. This is consistent with Hartman's explanation of the dynamics of high growth and high retrenchment. In his interpretation, high growth in the pre-crisis period was concentrated in those agencies where new federal matching funds could be attracted. High retrenchment was concentrated in those agencies where functions could be moved out of the city's jurisdiction (usually to the state) and in those agencies where there were few matching funds and high municipal discretion about service levels. Some agencies are low in retrenchment because of externally mandated spending levels. Hartman, op. cit.

These criteria stand independent of the types of management effectiveness (and perceptions of management effectiveness) measures this study has primarily been concerned with.

19. Andrew Glassberg, "Response to Budgetary Stringency: New York and London,"  
1978 World Congress of Sociology convention paper.