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# FOUR WAYS TO MAKE CITIES MORE EFFICIENT

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Government is big business in the United States. There are almost 80,000 separate government entities in the country, and together they collect taxes which amount to one-third of the gross national product. The average working American can be thought of as working full time for the government from January 1 to May 2 this year; only thereafter will he get to keep his earnings.

Contrary to popular impression, most of the money spent by government for goods and services is spent by state and local governments, not by the federal government. The former spent \$170 billion in 1973, compared to \$107 billion spent by the federal government.

State and local government employees number 11.5 million, about one-seventh of the civilian work force, and the *annual growth* of this work force in recent years has been greater than the *total* employed in the steel industry. In fact, between 1955 and 1970 their number doubled and the payroll more than tripled.

Given this growing number of public employees and the taxes used to support their work, it is no wonder that productivity has emerged as a dominant problem in managing our cities. Particularly vulnerable to charges of being inefficient are local governments, since they are in the unenviable position of being responsible for daily delivery of highly visible services. The disparity between input and output looms large in the public eye.

Faced with this pressure, local governments are beginning to apply traditional methods for increasing productivity—capital investment in technology, more training, and “tighter management.” Such newer tools as systems analysis, management science, and computers are also being introduced, sometimes over-enthusiastically, sometimes belatedly, but increasingly with discrimination and sophistication. Local governments may be five to 10 years behind industry leaders in the application of these techniques, but the gap is closing as the public sector begins to compete effectively with the private sector for talent.

However, experienced and frustrated public-sector managers no longer believe, if they ever did, that the major obstacles to improved performance in government are going to be overcome by technology alone. In fact, it is becoming increasingly clear that a significant and permanent increase in government efficiency is going to be achieved only by recognizing the *institutional* nature of the obstacles, designing a management strategy to overcome them, and building the political support to do so.

Four major problems deserve our attention: (1) measuring performance; (2) municipal monopolies; (3) civil service reform; and (4) the government structure.

## Measuring Performance

The basic difficulty is that the result of a government agency's effort is hard to measure. The business firm uses profit as the ultimate measure of performance, and a salesman prospers or fails according to his sales record. But how does one measure the performance of a school system, or of an individual teacher? How can one measure the performance of a parks department?

Because of the difficulty in identifying and measuring output, the typical numbers issued by governments refer to input. In effect, one hears a dialogue of the deaf:

*Citizen:* There is too much crime in this city.

*City Official:* You're right, we plan to increase the police department budget by 15 percent.

But such a response is no measure of how effective the city will be in fighting crime. What it does have is the political virtue of visibility and immediacy. It tangibly demonstrates official concern for the issue. But it signals intent, not achievement. Furthermore, if the 15 percent increase is spent on higher salaries for policemen, it is unlikely—with all due respect for the men in blue and their sometimes hazardous occupation—that the force will be more successful in deterring crime or catching criminals. Even if the money goes for more policemen, the gesture may be useless if the present force is doing a good job of catching criminals but the courts fail to convict them or the prisons fail to rehabilitate them.

The problem of measuring output (either performance or effectiveness) is now finally being addressed. One example is street-cleaning agencies. Trained observers, each armed with a standard set of photographs depicting different levels of street cleanliness, have gone out and inspected city streets, grading them in accordance with their photographic scale.

Performance measures for other city agencies are also being developed. For police work, the “victimization rate” has emerged as a useful measure. In a statistical sample of citizen interviews, people are asked if they have been the victim of a recent crime. This method appears superior to the “reported crime rate,” which is generally lower, is subject to official distortion, and may vary according to the expectation or apathy that the public feels toward its police force.

In short, the emphasis is on measuring government productivity. And it is likely that the process of measuring it will create the impetus to improve it.

## Municipal Monopolies

A city is uniquely vulnerable to strikes and slowdowns. It does not have the options of moving to the South,



starting a branch in Hong Kong, or going out of business. It is vulnerable because one of its principal functions is to provide, or at least regulate, services that by their very nature are monopolies. Thus, cities furnish public sanitation, police, and fire services; while state governments regulate the private power and telephone companies. These are all monopolies of a crucial sort, for their services cannot be stockpiled or imported.

Therein lies a key problem in the productivity of city governments. Monopolies, whether public or private, tend to become inefficient. Since most city agencies are monopolies, their staffs are automatically tempted to exercise that monopoly power for their own parochial advantage—and efficiency is rarely seen as an advantage. In other words, the inefficiency of municipal services is not due to bad mayors, commissioners, managers, workers, or unions. It is a natural consequence of a monopoly system. *The public created the monopoly, the monopoly behaves in predictable fashion, and there are no culprits, only scapegoats.*

Evidence of malfunctioning municipal monopolies and low productivity is distressingly easy to find. For example, the mayor's office in New York City was concerned about the performance of its sanitation department, which enjoys a monopoly in the collection of residential refuse. The efficiency of the department was compared to that of the private refuse collection industry, and was found to be only one third as great.

The explanation for the threefold difference in costs is rooted in such embarrassingly old-fashioned concepts as close supervision, good direction, and the profit motive. The more refuse a private hauler picks up in a day, the more money he makes. In the municipal monopoly, there is no connection between the two.

A brief glimpse at cities under other economic systems is intriguing. In socialist Belgrade, refuse collection is contracted out to private-sector cooperatives. In communist Moscow, collection workers are paid on an incentive system according to their productivity. Whereas in New York City—the bastion of capitalism—Wall Street itself is cleaned by a socialist-style bureaucracy in which there is no relation between performance and reward.

There is no compelling reason why refuse-collection service must be provided under monopolistic conditions. A city government can contract with one or more private firms to perform this work. If a city is too large for a single firm, the city can be divided into sections, each one to be “auctioned off” to the low bidder.

But if what is called for is competition rather than a monopoly, this does not necessarily mean that the *private* sector rather than the *public* sector should do the work.

There are many places where private collection service is a monopoly, or at best a collusive oligopoly—a situation hardly in the public interest. In such cases, competition can be spurred by government entry into the business.

Why, in fact, does not every city examine carefully the services it provides, in order to determine whether or not competition will provide more cost-effective service to local taxpayers? For example, certain kinds of street-repair work lend themselves to “contracting out.” In Montreal, snow removal is performed by this method.

The benefits of competition may also be enjoyed when interagency competition is organized within the local government or even between governments.

Parking enforcement illustrates this point. Some cities have parking enforcement agents in a department other than the police department. If both departments issue summonses for the same kinds of violations, then a systematic comparison of their relative productivity and cost-effectiveness can serve to improve the performance of both agencies.

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Unfortunately, so-called experts in public administration often devote their energies to reducing and eliminating competition among government units, on the erroneous assumption that such competition is a wasteful duplication of effort.

A refreshing and thought-provoking example of deliberately inspired governmental competition comes from Ljubljana, in Yugoslavia. The city fathers there required the services of city planners in connection with a particular project, and solicited formal bids for the work not only from the city planning agency of Ljubljana but also from the city planning agency of Zagreb, a rival city. An American observer remarked in awe that he had never seen city employees anywhere work as hard as Ljubljana's city planners, who were feverishly trying to avoid the humiliation of losing their own city's work to their professional rivals.

As a final illustration of the virtues of competition, a number of cities in southern California have created a market environment by purchasing services from the county, from each other, from specially created districts, from the private sector, and by providing services

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through their own work forces. At one point in time, for example, there were 1,437 separate contracts, covering 55 different services, in effect between 74 purchasing cities and 21 producers comprising 16 departments of Los Angeles County and five special service districts. The existence of these competing alternatives has had a salutary effect on the management and delivery of such services.

In summary, the delivery of a public service is likely to be most efficient if that service is offered in a competitive market situation, whether the provider is a public agency or a private firm. Both quality and cost will suffer if the provider—public or private—has, in effect, a monopoly.

### **Civil Service Reform**

The nation's basic civil service law was written in 1883, following the assassination of President Garfield by a disgruntled job seeker. The goal of the law was both noble and necessary: to assure that the merit principle, rather than the patronage principle, would be used for the selection and promotion of federal employees. Subsequently, in reaction to the excesses of the spoils system

which had prevailed for the preceding half century, a civil service reform movement swept the entire country.

In trying to insure against the wrong things in public employment—nepotism, patronage, prejudice, favoritism, corruption—the civil service system has today been warped and distorted to the point where it can do hardly anything at all. In order to protect itself against past abuses, the “merit system” has often been perverted and transformed into a closed and meritless system.

After more than 90 years, the stage is set, in my opinion, for civil service reform. A true merit system must be constructed, one that provides the opportunity for any qualified citizen to enter the public service non-politically, to be recognized and rewarded for good performance, and even to face the possibility of being replaced for unsatisfactory service. Productivity will remain a quixotic effort unless this fundamental of public personnel management is addressed.

### **Government Structure**

The problems of management and productivity in American cities derive, in part, from a fundamental mismatch between the responsibility and the authority of local

*Five Soviet specialists are given tour of mass transit facilities in Los Angeles. From left, Messrs. Gilstrap, Korotkov (USSR), Boldyreff, Loginov (USSR), Budentsev (USSR), Savas, Tkachenko (USSR), Brasell, and Kozlov (USSR).*

## **City Problems— Americans and Russians Exchange Ideas**

What do the management of city problems in the Soviet Union and in the United States have in common? A program is underway to explore this question jointly. Under an American-Soviet agreement for scientific and technical cooperation signed in 1972, one topic of common interest is the use of computers in the management of large cities. More specifically, it is the development of urban management information systems concerning mass transit, the movement of goods within cities, and the



governments. Contributing to the mismatch is the gross incongruity between the natural geographic boundaries of an urban function and the legal boundaries of the political jurisdiction nominally charged with attending to that function. For example, air pollution as a problem transcends the boundaries of the central city; yet the municipal government is limited in its ability to address the problem. It cannot, for example, prevent polluted air from wafting in from a neighboring area, nor curtail automobile use to an extent that it will have an impact on the transportation system and economy of the entire metropolitan complex.

It is necessary to re-examine local government services in metropolitan areas and to sort them out. Which level of government should provide which services to whom, and how should those services be paid for? The gradual, evolutionary process of addressing this question is underway, and involves revenue sharing, regionalism, and neighborhood government. The poverty/welfare problem, it seems, is best handled at the national level, while transportation, pollution, water supply, and waste disposal are clearly regional issues. On the other hand, street cleaning, street repair, and refuse collection have primarily a local impact and can be handled at that level.

In my opinion, it is necessary to restructure local governments in order to produce a better match between functional responsibility and effective authority. Present boundary lines are largely the result of historical happenstance. New tiers of government, regional and local, are needed to replace the obsolete levels still existing in urban areas. England is well along in such reforms and some American cities—including Indianapolis, Jacksonville, Nashville, and Oklahoma City—have begun to move in this direction also.

### Summary

A fundamental improvement in the productivity of local government will require far-reaching institutional changes based on sound management principles. Great political effort will be needed to make these changes: to introduce non-partisan performance measurement, to break up the municipal monopolies and provide competition in the delivery of services, to restore merit to the civil service system, and to restructure governments in our metropolitan areas. But these changes are necessary if the consumers of public services are to receive better value for the taxes they pay. ▲

basic organization and performance of what are known as municipal services.

Four cities, New York, Moscow, Los Angeles, and Leningrad, are formally involved in the program, but the results should be of value to many cities in each country. Automobile-clogged American cities, for example, can benefit by learning more about how the movement of trucks is controlled in Moscow. In addition, impressive mass transit systems in large Soviet cities can offer lessons to American cities which are emerging from the age of the auto and are planning a more balanced and flexible transportation mix. On the other hand, Soviet cities can learn a great deal from U.S. cities' computer-based managerial systems. To a much greater extent than in the Soviet Union, American cities have re-

solved the issues of which systems to build, how to design them, how to get them accepted and utilized, and how to assess their performance.

The American portion of the program is supported by the National Science Foundation. The program does not involve exchange of computer hardware or software. Rather, it is a more basic exchange of knowledge, beginning with how the different participating city governments are organized, what functions they perform, and how the latter are carried out.

In 1973, a group of seven Americans, including the author, visited the Soviet Union in connection with this project and spent many hours with officials and computer specialists in Moscow, Leningrad, Kiev, and Novosibirsk. Computer use reflects local problems, and the number one

priority in these cities is housing construction. One manifestation of this is that two of the mayors had formerly headed the large-scale housing construction programs in their cities. (Perhaps the American equivalent is the election of mayors with police experience in Philadelphia, Los Angeles, and Minneapolis, and mayors with fiscal experience in New York and St. Louis.)

In December, 1974, a team of five Soviet specialists, headed by the director of Moscow's main computer center, spent two weeks visiting municipal data processing centers and mass transit facilities in New York, Los Angeles, and San Francisco. At this writing, a group of American transportation experts is on its way to the Soviet Union for the next stage of the program. The results of the exchange are awaited with interest.