HOW SHALL WE ORGANIZE? PRIVATIZERS, VOLUNTEERS, AND POLICY INNOVATION IN THE 1990S

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How Shall We Organize? Privatizers, Volunteers, and Policy Innovation in the 1990s

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For organizational analysts, the politics of the 1990s is a land of monsters, beings neither animal nor human, mortal nor magical. Armed with taxonomies of firms, states, and nonprofits, we find our tools inadequate for making sense of creatures such as the LINC. Found in Kansas City, Missouri, the Local Investment Commission was born as a state commission to administer a federal grant and has "since evolved into a separate nonprofit agency" that seeks to find jobs for welfare recipients and to create new businesses. This entity is "managed by a 36-person board over half of which is from the business community" (Tweedie & Vasquez 1999). Is it public, private, or profit? a part of the state, the market, or the community? Neither its life history nor the identity of its current masters provide unambiguous answers. With the familiar classifications of organizational theory shattered, we are left to wonder at the infinite mysteries of organizational form.

Over the past decade, such monsters appear to have proliferated.[1] Their heightened visibility in the industrialized democracies complements political demands for fundamental change, a "third way" or the end of "welfare as we know it." Understandably, the critical response to these efforts has emphasized the motives of their champions, their impact on individual citizens, and their implications for changing political alignments. Beyond an analysis of winners and losers, however, these projects of policy reform invite reflection on the possibilities of governance and institutional change. How (and to what extent) is it possible to dismantle major programs of social provision, deeply entwined with clients' lives, providers' careers, and organizational missions? What opportunities are created for innovation, for whom, and with what consequences?

Fueled by a vocal discontent with existing arrangements for social provision, particularly those dominated by public agencies, new legislation frequently authorizes organizational experimentation or the participation of groups that were previously restricted from receiving public funding (Dorf & Sabel 1998). Charter school bills, for example, make public funding available to a wide range of organizations—from associations of dissatisfied parents to for-profit firms—that will provide education in place of the services of public school systems. Whereas religious groups could formerly receive public funding for social services only by limiting expression of their religious character, the "charitable choice" provisions of welfare reform expand the varieties of religious organizations that can participate in public social programs.

Faced with these explicit demands for increased organizational diversity and innovation, the skeptic can only ask: Is it working? Such skepticism is particularly merited in light of the opposing argument: Rather than a diversification of organizational forms, the expansion of market relations and ideological hegemony of neoliberalism has produced increasing homogeneity of social relations. As Robert Kuttner (1998) has argued, ours is a world where, increasingly, everything is for sale (or, at least, where more people contend that everything should be for sale). Consequently what is perceived as innovation from the vantage point of nonprofits and public agencies may simply be the relentless advance of market models. Yet even

[1] On "mixed property forms" in the formerly socialist countries of Eastern Europe, see Stark (1996).

if this is the case, prior institutions shape the effects of that advance. A wave on a beach may erase all signs of previous activity, but when a wave crashes into a cliff, the consequences are jointly shaped by the force of the surge and complex histories of geological uplift and erosion. In landscapes, as in organizational fields, the result may be a sharpening of existing features, the destruction or creation of new features, or strange hybrids, monsters.

For many of the industrialized democracies, the current moment involves just such a collision of established state structures with demands for change and alternative models of organization. In the U.S., systems of public provision and regulation have been challenged on two fronts: by the "privatizers" who champion market models (on Social Security, see Dreyfuss 1996; Lieberman 1997) and by "volunteers" who advocate the displacement of public programs by communities, families, "faith-based organizations," and voluntary associations. A third impetus came from within government in the guise of a call to import new business practices to gain greater efficiencies (Fiscal Focus 1998). An analysis of this conjuncture of pressures for change requires attention to the transformation of individual organizations (Zald and Denton 1963; Zald and Ash 1966) as well as the regulation of entire sectors (Zald 1978). What actors and resources are mobilized to challenge existing institutional arrangements (McCarthy and Zald 1977; 1987) and under what institutional conditions are such challenges consequential (Debebe and Zald 1998)? In short, this inquiry requires an appreciation not of one particular type of organization, but the interest in social organization broadly construed which characterizes the work of Mayer Zald.

To make sense of the organizational dimension of the political challenges to state bureaucracies and public provisions, two insights from "The Social Control of Industry" (Zald 1978) are particularly helpful. First, the regulation or governance of organizational fields builds on processes of comparison among organizations to articulate standards and expectations (1978: 83). Consequently, as the organizations active in a particular policy domain become more heterogeneous and difficult to classify, any kind of collective governance becomes more difficult. The resulting lack of clear standards or practices of accountability, in turn, may hobble the responsiveness of public programs and feed cynicism in public institutions (Lo 1990: 146-51; Schrag 1998). The current proliferation of techniques of accountability—outcomes or performance-based evaluation, high stakes testing, benchmarking—signals this growing problem.

Second, there is a politics to this organizational heterogeneity (Zald 1978: 97). Standardization and commensurability are central components of projects of state-building and social control (Espeland 1997; Porter 1995; Scott 1998); to the extent that alternatives are "unimaginable" the existing order is insulated from challenge (Stinchcombe 1978; for recent research, see Clemens & Cook 1999). Consequently, any effort to promote organizational diversity or innovation can appeal to multiple constituencies. Advocates of more effective public programs may view diversification as a method of "bootstrapping" to higher or more appropriate standards (Dorf & Sabel 1998; Rothstein 1998: 87-92). Both conservative and liberal critics of the state may support laws that facilitate alternatives to public programs, on issues ranging from waste management to home schooling to social services (Malcolm Pirnie 1996; Stevens 1996; Wolch 1990: 43). The puzzle, however, is to understand why these movements to provide alternatives to the state have produced so many monsters, like the LINC, rather than a tidier substitution of one organizational form for another.

II. The Politics of Privatization, Voluntarism, and Devolution

Theory and politics operate on different schedules. Just as social scientists began to "bring the state back in" during the 1970s and 1980s (for a review, see Skocpol 1985), their newfound object of inquiry underwent a distinct reversal of fortune. While scholars sought to understand the origins and development of nation-states and the expansion of welfare policy, in the industrial democracies the expansion of existing welfare states slowed and criticism began to escalate (Esping-Andersen 1990; Wolch 1990: 41-44). In many countries, there were efforts to imagine alternatives to the preeminence of government in social provision and some sectors of economic activity that characterized certain European states (Douglas 1983; Schmidt 1996; Ullman 1998). By the 1980s, a full-fledged transnational movement to deconstruct the welfare state was underway, championed by Margaret Thatcher in Britain and Ronald Reagan in the U.S. (Pierson 1994). In the U.S., these efforts to scale back government agencies were joined with a commitment to move responsibility to state and local government, a policy signaled by "devolution" or "the new federalism." In Britain, the move to devolution developed later, promoted by Labor Prime Minister, Tony Blair.

In the U.S., at least three movement-like processes fed these developments. First, a network of conservative foundations, thinktanks, and membership organizations advocated privatization in a repeat of a successful strategy to place welfare reform on the national political agenda (cite Nation article; others?). This movement is more or less loosely linked to a growing industry of firms specializing in variations on privatization, including "competitivization" and contracting-out; such consultants celebrate accomplishments such as a "creative approach to privatizing sludge management [that] yields more than $2 million annual savings" (Malcolm Pirnie 1996). In addition, there was a rather more diffuse effort to promote voluntarism, to expand the role of charities and churches (Grann 1999), and to generate "social capital" as a solution to a broad range of social ills. Finally, efforts in the for-profit sector to "reinvent the firm" through quality circles, down-sizing, and other managerial techniques were appropriated by political reformers who sought to "reinvent government."

Given this unlikely political coalition, there is no easy mapping of remedy onto motive. Calls for significant rearrangement of government came from people who believe in public services but wanted them to be more efficient, from people who wanted to move activities from public programs to volunteer endeavors, and from people who wanted to expand the scope of markets and profit-making into domains traditionally reserved to public agencies. The last of these might invoke arguments from value or arguments from efficiency, or both.

Rather than focussing on the motives of advocates, therefore, we may do well to step back and consider what is at stake in this broad move to transform the institutions of the state. To a striking degree, these policy demands represent a reversal—albeit partial—of long-term processes of state-formation and policy-expansion. Standardization and rationalization were central components of these projects (Scott 1998); both are undermined by increases in heterogeneity, even if policies seek to bring them back in through more rigorous techniques of accountability. Even more pertinent, however, is the extent to which greater privatization, delegation, or contracting-out of public services represents a sort of modern return to patrimonialism in which agents of the state appropriate state resources for private benefit (Ertman 1997). Whereas early modern states turned to the sale of offices or tax-farming when faced with the financial exigencies of war, the combination of macro-economic crises and expanding policy costs inspired or forced political leaders to push welfare states toward citizen preferences, charities to donors and some recognized "public good," voluntary associations to member participation, and for-profit firms to customers and stockholders.

Although we have theories of markets, of states, and of nonprofits, the current call to alter the balance among them forces us to take the institutional division of labor itself as the dependent variable. One approach to this puzzle has focused on the affinities between certain characteristics of goods, of consumers, or of suppliers as determining the prevalence of a particular organizational form. Thus nonprofits are found where goods present particular problems of evaluation and trust, or in cases of market and state failure to provide a particular good (Weisbrod 1988): "the growth of nonprofit activity reflects an increase in the gap between perceived social need and government provision" (Weisbrod 1998: 3). Whereas this approach emphasizes how organizational form "fits" function, an alternative perspective focuses on the political and institutional origins of the distinctive forms (Ware 1989: 27). Here the distinctions among for-profit, non-profit, and public are the legacy of "the interaction of state and economy at various stages of economic development." (Ware 1989: 31). This legacy is preserved in law; thus the list of activities deemed to be charitable may be traced to Elizabethan statutes that sought to encourage activities—the provision of education, care for the ill and aged, religious services—that fell beyond the capacities of either the government or the still rudimentary markets of early capitalism.

From either line of argument, the current wealth of mixed forms is credited to a kind of mismatch. If one starts from the premise that "form follows function," mixed forms are a symptom of divergences between organizational projects and the resources or privileges associated with a particular form. For example, nonprofits are restricted in their access to capital markets; consequently, many formerly non-profit health maintenance organizations (HMOs) have changed organizational status in order to secure the financing needed to expand membership in the capital-intensive field of health care (Tuckman 1998: 40). At the same time, for-profit hospital chains have acquired formerly non-profit hospitals and with them an accumulated "capital" produced by decades of donations, volunteer efforts, and community subsidies (Bell 1996). "Whenever 'rules'—regulations, taxes, or prices—differ among economic sectors, organizations can gain from exchanges between sectors" (Weisbrod 1998: 4).

From an institutional perspective, the legal framework of distinctive forms is a legacy of previous political decisions and compromises. The "educational" qualification for charitable status made one kind of sense in an era before public schools and for-profit educational providers; yet the association of "education" with "charity" remains established in law despite major institutional and economic changes. Consequently, as the actual patterns of competition and cooperation among different forms of organization change, so too should struggles over the legal framework reappear. In particular, as state agencies have become ever more prominent providers of public goods, the "no politics" clauses in laws of nonprofits or charities work to decouple these organizations from important decision-making arenas. Nonprofits and foundations have been repeatedly attacked for being "too politically active"—a violation of their legal status under sections 501.c.3 of the federal tax code—and high profile congressional hearings have effectively warned many such organizations away from potentially controversial activities (Jenkins 1998; Ware 1989: 231). But the political response can go beyond an effort to "shoo" errant organizations back within the bounds of their legal frameworks. In a growing number of policy debates, there are now calls to dismantle those frameworks.

The existence of an "institutional mix" of markets, public agencies, and nonprofits may produce two quite different styles of political conflict: one which exploits the differences among increased contracting-out and devolution of policy. And just as these practices had farreaching implications for state development in the early modern period, we may anticipate that they will reshape the fiscal strength, autonomy, and legitimacy of modern states.

Rather than struggling toward such a long-term assessment, this paper focuses on a narrower puzzle. Why has the reaction against systems of public provision resulted in a multiplication of monsters rather than a clean switch from public programs to market provision or fully private community efforts? It is not so much the marketization or devolution of public programs that erodes the legitimacy of government, as the challenges to legibility and accountability that have accompanied these policies (Schrag 1998). Similarly, economic research suggests that what matters for efficiency is not so much "auspice"—whether an organizational is public, private, or not-for-profit—but the degree of competition and regulation (Vickers and Yarrow 1991). Whereas the language of reform movements presents crisp taxonomies of form, the emerging transformations of organizational fields present a far murkier picture. To be clarified, the debate over forms of organization—market or state or charity—needs to be relocated in an analysis of the structure of regulation and oversight or, in Mayer's terms, the social control of industry.

III. The Strategy and Politics of the "Institutional Mix"

Just as organizational analysis builds on a taxonomy of forms, so political sociology often begins with a taxonomy of regimes. Monarchy, aristocracy, democracy—each term signals a particular configuration of authority and the organization of rule. If the two taxonomies are combined, the product is a classification of societies in terms of what kinds of organizations engage in what kinds of activities. Are churches organizations of rule, as in theocracies, or providers of individual spiritual guidance? Should the socialization of children be delegated to families, to public schools, or to reinvented communities as on a kibbutz? The question of what activities are to be governed by markets is central to contemporary policy debates. If the expansion of the welfare state was a process of "de-commodification" (Esping-Andersen 1990), positions across the current political debate concur in granting a more prominent place to markets: "the left in Europe has been casting around for a new identity that draws a distinction between a 'market economy,' now generally endorsed, and a 'market society,' an expression widely used to denote an unacceptable European surrender to what is perceived as American capitalist excess" (Cohen 1999; see also Singer 1999).

Societies—and visions of better societies—are defined by the mix of organizations and how they map onto activities. In the U.S., current policy debates are distinguished by the claim that no one organizational type can best perform an activity under all circumstances or, in the stronger form, that some organization <u>other than a public agency</u> can best deliver a public service (see Block 1996 for an overview of contemporary antistatism).[2] Increases in organizational heterogeneity related to any given activity follow from either position, whether as an absolute good or as a transition between public agencies and some other form of organization. Those who support such developments argue that diversity promotes innovation and facilitates choice. Critics contend that diversity erodes standards of accountability, not least because each basic model of organization is linked to different criteria or agents of evaluation: public agencies to

[2] Thus a recent study of Arctic expeditions found that rates of death and loss of supplies were lower on privately-organized than government-run expeditions (Pollack 1999).

organizational forms, one which seeks to either strengthen or abolish those distinctions. The first involves attempts to benefit from the mismatch of organizational activities and legal frameworks, the second to resolve the mismatch (possibly by simply eliminating most of the legal distinctions). To the extent that organizational monsters and hybrids proliferate, the politics of organizational hedging is ascendant.

IV. Organizational Form and Strategy

The language of contemporary policy debates invites us to imagine choices among ideal types: To Profit or Not to Profit (Weisbrod 1998) or From State to Market? (Schmidt 1996). The increase in organizational monsters, however, many organizations have met the question of "either/or" with "both." For any given organization, considerable advantages flow from this response. To the extent that organizations operate across the different institutional arenas of "the market," "the state," and "the third sector," they can sort activities and resources into the most beneficial classifications (or into multiple classifications simultaneously) in a type of "organizational hedging" (Stark 1996: 1014). Nonprofits enjoy tax-exempt status but have limited access to capital markets; for-profit firms pay taxes on corporate income but have access to capital through equity markets. Thus an alliance of one of each kind produces advantages in that activities or income may be assigned—within the limits of the law—to whichever entity offers the most advantages.

Attention to "organizational hedging" suggests that "monsters" proliferate because it is in the interest of many organizations to be monstrous, to straddle taxonomic categories. In debates over "how to organize" public services, charges of unfair advantage are flung in all directions. A conservative policy organization, the National Center for Policy Analysis (NCPA), argues that "Since a 1982 restructuring, the U.S. Postal Service hasn't been receiving large annual subsidies from the government; but it does benefit from privileges and exemptions not available to private-sector companies, and it cross-subsidizes its unprofitable operations." The privileges identified include a monopoly on first-class mail, the right to borrow directly from the Treasury, exemption from taxation on profits, and exemption from full compliance with Occupational Safety and Health Administration rules (NCPA 1997a). The exclusive access of public agencies to public resources is also at issue in debates over charter schools. In 1998, state legislation proposed that charter schools have rent-free use of unused district-owned facilities (passed in California), that public agencies help charter schools to secure bond financing (passed in Colorado), and that the state Department of Education provide mediation services (pending in Florida) (NCSL 1998).

Opponents to privatization make similar points about resource-shifting, often emphasizing how a transfer of resources transgresses some fundamental classificatory principle in political life. As a form of "contracting out," school vouchers have come under attack for many reasons, not least that any payments to parochial schools violate principles of the separation of church and state. Similarly, efforts to "privatize" organ donation (now governed by law and a cooperative arrangement among national hospitals) have drawn fire as an illegitimate commodification of something fundamentally unsuited to market exchange (Harmon 1999). Even the language in a defense of corporate donations to schools underscores this reaction to the transgression of established distinctions: "Business is Saving Schools, Not Tainting Them" (Weigand 1999). The ongoing debate over campaign finance reform crystallizes many of these concerns: that votes should not be for sale, that corporate or individual money should not be leveraged into political benefit. These arguments appeal to legal frameworks as embodying legitimate combinations of form and activity.

In resisting the colonization of a field of activity by new organizational forms, opponents make use of the legal framework that establishes and legitimizes distinctions among organizational types (Ware 1989). Just as money may be "marked" for particular purposes (Zelizer 1997), so assets may be "marked" and tied to particular purposes in ways that obstruct efforts at organizational hedging or the straightforward appropriation of resources accumulated under one legal regime for purposes governed by another.

These conflicts moderate any claim for the absolute advantages of "organizational hedging"; sometimes organizations may prefer to appropriate resources and transpose them to some other kind of organized enterprise. This has been the case in the area of health care where for-profit hospital chains and health maintenance organizations have sought to acquire non-profit entities. Such commercialization transgresses the categories that governed the accumulation of "resources" represented by non-profit hospitals and health care organizations:

> The culture of health care used to value the care of the vulnerable; now it is increasingly devoted to the care of the shareholders. One issue in this turn toward the market is simply what happens to all the public resources that have gone into building America's health charities: Will the executives and investors simply be allowed to walk off with billions of dollars? Or will the public at least reclaim the value of the assets? (Bell 1996: 61)

In struggles to enforce the "stickiness" that links particular assets to particular purposes, opponents of commercialization have made use of the legal framework that initially established distinct regimes of accumulation for non-profit and for-profit organizations. In California, opponents to two major conversions of non-profit health care organizations—including Blue Cross of California—fought to secure some of the value of these organizations for the "public" in whose name the organizations had originally been established. Initially, the response was an offer to establish a non-profit under the sections of the code that allow for considerable lobbying and political activity; essentially creating a political supplement to a new for-profit firm. Instead, opponents of commercialization were able to secure the formation of a $2 billion dollar foundation as well as legislation "for regulatory review of conversions to ensure that nonprofit HMO assets are preserved for charitable purposes" (Bell 1996: 64).[3]

A similar "stickiness" figures in efforts to privatize government assets. Many arguments begin from a presumption of the superiority of market or for-profit models of provision. The following claim is typical, remarkable only in that it comes from a staff report to the Joint Economic Committee of Congress:

> Privatization cuts cots and improves service because of key differences between incentives and management in the public and private sectors. Government officials are accountable to the coalitions that elected them, which may or may not represent the broader interests of taxpayers. In contrast, private firms are directly accountable to their customers, who can reject a certain company's services if it fails to offer an attractive combination of price and quality. (JEC 1996)

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[3] In Idaho, charter school legislation mandates a "negative" sort of stickiness, prohibiting private schools from converting to charter status and thereby having claims on public resources (NCSL 1998).

The shift of resources from government to private firms is obstructed, however, by requirements linked to assets: if an asset is sold, state and local governments must return undepreciated parts of the government grants used to acquire that asset; interstate highways cannot be privatized since on most tolls are prohibited; and, finally, "tax policy subsidizes government-owned enterprises but not privately-owned businesses. As a result, competition does not take place on a level playing field, which makes state-owned enterprises appear more efficient than they are and discourages private competitors" (JEC 1996). Again, this is exceptional only in the source of the argument.

Proponents of privatization both laud competition and contend that fair competition between public and private agencies is largely illusory: "the city allowed the existing public agency to bid for the contract as well. Researchers say that the ability of the city to set the terms of public-private competition has allowed it to raise rivals' coasts and exclude potential bidders" (NCPA 1997b). At stake in such arguments is the very existence of a distinction among organizational forms, the claim that government is a privileged instrument for making and enacting collective decisions. In accord with this rather old-fashioned understanding of government, public agencies in many fields have retained crucial oversight or decision-making prerogatives even in the midst of extensive delegation to private entities, both for-profit and nonprofit. In most charter school legislation, for example, state or local school boards retain a monopoly on "sponsoring" charter applications (NCSL 1998). In the case of welfare reform, a waiver for a farreaching privatization effort in Texas was rejected by the federal government on the basis that decisions about eligibility could not be contracted to a private firm but must be made by government-employed civil servants.

Here, too, an important political struggle is playing out. One of the greatest benefits of privatization is the ability to provide services unencumbered by the accomplishments of government workers, often members of one of the most rapidly growing unions—the American Federation of State, County and Municipal Employees—and most vocal organized opponents of privatization. Whereas arguments in favor of privatization emphasize the advantages—in access to resources or preferential treatment—that accrue to public and nonprofit entities, privatization can represent an escape from costs and constraints that characterize other institutional arenas.

In the U.S., at least, the extent of these conflicts over efforts at total privatization suggest that the "organizational hedging" represented by strange hybrids of public, profit, and nonprofit entities may not be an optimal strategy in all cases. To at least some extent, these strange entities that straddle organizational categories because there are political obstacles to a complete transformation.

IV. Implications for Governance

If this proliferation of monsters is a puzzle for organizational analysis, it presents much more pressing problems for governance. Recall the "form fits function" argument for different organizational types: where goods or services cannot be easily monitored or assessed, contracts will not be able to anticipate all elements to an exchange, and market provision is likely to prove unsatisfactory. Although there is little doubt that government provision can be made more efficient, the movement to delegate activities to other kinds of organizations raises profound issues of monitoring and accountability. As the American Federation of State, County and Municipal Employees argued, welfare 'reform' "enables big business to rack up huge profits while facilitating potential losses in public accountability and client confidentiality" (Havemann 1997).

At the core of the problem is that insight central to the "form fits function" approach to nonprofit organizations. Where it is difficult to anticipate or document every aspect of a transaction or service, it will be difficult to provide that service on a purely contractual basis without the aura of trust or professionalism associated with not-for-profit status. A controversy over the privatization of welfare services in New York illustrates the point (Barstow 1999). The state contracted with Citigroup to provide benefits to the poor via an ATM card; in contrast to the scrip of food stamps or reliance on check-cashing operations, "electronics benefits transfer" was, according to a company officer, intended to allow "low-income individuals a point of entry into the mainstream of electronic banking," to link the poor to the financial industry. Citigroup's competitors worry about the company's potential to monopolize the provision of electronic benefits for a wide range of government programs as well as charging that the bank has used the fees imposed on benefit recipients to steer them away from using other banks' A.T.M.'s. Limits on the number of withdrawals each month reproduce the "boom and bust" cycle of the monthly welfare check and make regular budgeting more difficult. These possibilities for unfair competition and under-provision of services to the poor were embedded in the original agreement between corporation and state agency: "Despite warnings from a state justice who reviewed the contract, state officials willingly embraced an ambiguous contract that gave Citigroup a free hand to decide how New York's poor get access to their benefits." In this case, privatization via ambiguous contracts—and perhaps inevitably ambiguous and incomplete contracts given the character of the services—did not produce the promised benefits of lowered costs <u>and</u> improved services. In the process, formerly <u>public</u> decisions over how to provide for the poor were relocated into corporations insulated from full disclosure.

In the place of provision by public agencies which are at least formally subject to disclosure, delegation of activities has been accompanied by increased attention to the articulation of standards monitoring of outcomes. In the case of electronic benefits transfers, the implications of privatization of standard-setting are particularly clear (Barstow 1999: 21):

> As state after state switches to electronic welfare, the poor increasingly find themselves voiceless. Many of the rules governing the welfare A.T.M. cards are set by an obscure organization called the E.B.T. Council. An arm of the national Automated Clearing House Association, a financial trade group in Virginia, the council includes 57 representatives of major banks, A.T.M. networks, grocery chains and states.
>
> It does not have a single member from a welfare advocacy group.
>
> "We're not blocking them from joining—if they pay the membership fee," a spokeswoman for the E.B.T. Council said.
>
> The fee is $6,000 a year. Plus a $3,000 initiation charge.

If proponents of campaign finance reform decry the intrusion of money into democracy, they should be equally concerned at the ways in which contracting relocates decisions into the sphere of private associations where membership—and the right to vote—is formally and legally purchased. Still more troubling is the possibility that the private associations or firms with contracts to provide accountability may require monitoring themselves. In New York City, private firms received $2 million to administer "high-stakes testing" as a method for imposing accountability on individual schools. 35,000 children were required to go to summer school;

months later it appears that many of these "failing" children were victims of a miscalculation by the testing firm (Hartocollis 1999).

The problems of accountability suggested by these cases go beyond the question of monitoring the firms and private associations themselves. Insofar as public activities are delegated to other kinds of organizations, how is the public to hold government responsible? Thus the proliferation of organizational monsters, of delegation, of privatization, of devolution imposes costs in terms of the transparency of government, whatever the compensating gains in terms of efficiency and quality of services. These costs are of the same character as those that flow from the increasing complexity of government itself. In a close analysis of a state sometimes held to embody the nation's future, Schrag (1998: 72-73) argues that:

> Underlying the difficulties in building and refurbishing local schools—and distorting all California school governance almost beyond recognition—is the larger mess created by the fiscal restrictions and spending mandates that California voters have imposed on California government. Those restrictions and mandates . . . both curtail revenues and dictate how a large portion of them must be spent. Those mandates necessarily centralized appropriations in the legislature (and often tied them to constitutional formulas beyond even its reach) even as they left spending decisions to local boards. In doing so, they created a structure that couldn't have been more perfectly designed to undermine accountability among the state and local officials who were supposedly charged with the management and control of the state's public agencies.
>
> If a school district runs out of money, or a county verges on bankruptcy, who is responsible: the elected local board that overspends its budget, or the state legislature that fails to appropriate the funds or, as often happens, appropriates them so late that no reasonable local budgeting and planning is possible? Something similar is true in capital expenditures. Since both funding and design approval for school construction and renovation . . . is now partially a local responsibility and partly the province of not one but a half-dozen different state agencies, it has been virtually impossible for any local citizen—or, indeed, many professionals—to understand what has to be done to gèt a new school built, or whom to blame for the delays or for the fact that sometimes it never seems to get built at all.

Demands for new forms of governance, for organizational innovation, for delegation or privatization add up to an immensely complex system. Consequently, it should come as no surprise that problems of monitoring and accountability have multiplied for all concerned: citizens trying to decide how to cast their vote, bureaucrats trying to decide how to award a contract or whether to renew one, elected officials trying to decide on a "solution" to problems of service provision and regulation.

Thus the persistent decline in trust in government, documented by innumerable polls, is a predictable outcome of processes discussed by Zald as part of the challenge of "the social control of industries" (1978). Organizational innovation may well lead to improvements in the efficiency or quality of services, but increases in the heterogeneity of organizations make comparisons across organizations more difficult. Monitoring becomes more of a challenge, trust is less easily secured. Heightened emphasis on techniques of accountability follows directly.

Politically, this outcome may be unavoidable or intended by the many advocates of some form of delegation, privatization or devolution. In some cases, increases in experimentation, local control, and choice may be promoted in spite of the costs related to clarity and accountability. In the case of other parties to these political contests, the loss of clarity and accountability may be precisely the desired end, either as a means of discrediting public agencies or as a cover for private appropriation of public resources (Ertman 1997). Either way, an analysis of the changing field of social provision and regulation should be central to any effort to understand changes in the modern state.

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