INSTITUTIONS OR CULTURE? A COMPARATIVE STUDY OF GOVERNMENT PERFORMANCE

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Submitted to the Graduate Faculty of

Arts and Sciences in partial fulfillment

of the requirements for the degree of Doctor of Philosophy

University of Pittsburgh

2004

UNIVERSITY OF PITTSBURGH

FACULTY OF ARTS AND SCIENCES

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February 2, 2004

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University of Pittsburgh, 2004

The study examines competing institutional and cultural explanations of government performance. I use within country comparison of 125 sub-national governments in Germany and the U.S. and cross-regional comparison of these two countries. Government performance is conceptualized and measured on two dimensions – policy responsiveness and administrative effectiveness. I show that social capital is associated with the former but is unrelated to the level of administrative effectiveness. The latter is explained by the institutional factor of bureaucratic power concentration.

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PREFACE

I am grateful to many advisors and colleagues from the Department of Political Science at the University of Pittsburgh and beyond who helped me at the various stages of the work reported here. The chair of my dissertation committee, professor B. Guy Peters, as well as the other members of the committee, professors Christopher J. Carman, Patricia W. Ingraham and Alberta Sbragia deserve my special appreciation for patiently reading through various drafts of this dissertation and discussing ideas when guidance was needed. NSF grant SES-0317802, and several research grants from the University Center for International Studies, University of Pittsburgh provided financial support to help complete this work. Dr. Thomas Cusack and Erko Grömig were extremely helpful in providing access to some data. I am also thankful to professor Jürgen von Hagen for the opportunity to stay at the Center for European Integration Studies at the University of Bonn while conducing field-research for my dissertation. Last but not least, I am indebted to my husband for being next to me through the ups and downs of this project.

1. CHARTING THE VOYAGE OF INQUIRY

The performance of government is a central issue in a democratic society. Many countries in the world are currently trying to make their new or old democratic governments work more effectively and responsively. Academics and professionals alike are arguing about the need to enhance efficiency and effectiveness in public sector. Citizens continue to expect their governments to provide public goods and services: clean streets, safe neighborhoods, job security, etc. These issues of government performance are ancient but continuously recurring and timely. Few, however, are confident that we know what and how makes governments work well.

This is a study of the performance of democratic governments. The purpose of the study is theoretical. It builds on the Robert Putnam's (1993) path-breaking study on social capital, institutions and government performance with a significant difference: using a disaggregated concept of government performance. More specifically, government performance is here conceptualized on two equally important dimensions: administrative effectiveness and policy responsiveness. Thus, the study moves beyond simply asking why some governments perform better than others, and tackles questions that the studies with a bipolar conceptualization of government performance have left unanswered. Are effective governments also responsive and vice versa as assumed by the uni-dimensional measure of government performance? Under what institutional, social and cultural conditions are governments more responsive and effective? If social capital is the key to well-performing governments, is its relationship to both attributes of performance similar? More specifically, what is the causal mechanism by which social capital

produces "good government" on one dimension or the other? Does institutional structure provide an alternative or a complementary explanation of government performance? Which institutional structures influence the level of administrative effectiveness or policy responsiveness, and how? In the end, what matters more structure or culture? Answering these questions requires plowing through a diverse literature on conceptualizing and measuring government performance. The inquiry further leads us to the issues of social cooperation and the role of institutions inducing cooperation. The method of the study is empirical. The theoretical arguments are tested in two rather different national contexts – the U.S. and Germany – in order to provide a broader basis for generalizations. In the end, the study contributes to the discussion about cooperation, social capital, institutions and government outputs.

1.1 THE DEPENDENT VARIABLE: GOVERNMENT PERFORMANCE

Government performance is not an easy and straightforward concept. It can be measured and defined quite differently as is evident from the diverse literature devoted to government performance and reviewed in Chapter 2. First, the students of public administration have developed a substantial body of literature on performance measurement in government. On the theoretical level they conceptualize government performance as comprising inputs, outputs and outcomes, in the existing empirical measurement, however, the concept denotes administrative or organizational effectiveness. Second, the students of public opinion struggle with explaining the variance in citizens' confidence in and satisfaction with government. Third, studies of democratic performance assess whether governments are doing what they are supposed to do: whether they are mobilizing and allocating resources to meet social needs. Essentially, all these

research traditions attempt to assess, explain, or determine the effect of government performance. Yet, they do not communicate with each other: what is conceptualized, and consequently studied, as government performance in one research tradition is very different from that of the others. Additionally, even if government performance is conceptualized in a multifaceted manner, the empirical measures of the concept are often reduced to a uni-dimensional index.

This general confusion about the concept of government performance is also evident in the studies linking government performance to social capital. Putnam (1993: 63) defines government performance in a representative system as comprising "responsiveness to its constituents and efficiency in conducting the public's business". At the same time he and those replicating his study (Rice and Sumberg 1997, Cusack 1999, Rice 2001, Pierce at al. 2002, Knack 2002) construct a uni-dimensional aggregate index to measure the concept. By aggregating the components of either attribute of government performance into a uni-dimensional index it is assumed that responsive government is by definition also efficient and effective. Yet, the two attributes need not necessarily capture the same latent concept. It is possible that a government is effective administratively, but is a laggard in terms of problem solving and service provision. Similarly, a government may be a leader in policy-making and innovation and yet face considerable management and administrative problems.

This study conceptualizes government performance on two equally important dimensions: administrative effectiveness and policy responsiveness. Administrative effectiveness captures the extent to which a government possesses the means to conduct its internal operations effectively and promptly. Following the previous literature, it comprises the components of effectiveness of the different management subsystems (such as effective budget cycle and

information services) (Pierce et al. 2002, Ingraham and Donahue 2000, see also Putnam 1993). Policy responsiveness, on the other hand, captures the extent of government allocation of recourses for various types of public goods and services (such as day care centers, agricultural and health spending etc.). It is concerned with government policy outputs (Wilensky 2002, Lijphart 1999, Putnam 1993). Chapter 3 elaborates the orthogonal conceptualization and presents the results of the empirical scaling of different indicators of performance to test the dimensionality argument with real data.

1.2 SOCIAL COOPERATION AND GOVERNMENT PERFORMANCE

Definitions of the concepts in theories are an integral part of the theories. That is, concepts and their measurement should not be thought of as exogenous to a theory. Thus, a uni-dimensional measurement of government performance is justified if according to the theory all explanatory variables relate to the different aspects of performance in a similar way.

Putnam (1993) has framed the theory of government performance in terms of collective action and cooperation. "Good government" results from a deliberate collective action by the members of society who demand and act to get such government. Thus, getting good government becomes a problem of collective action. Putnam then introduces the concept of social capital defined as a feature of society, a shared resource that promotes social efficiency by way of "facilitating coordinated actions" (1993: 167). In his theoretical argument the concept of social capital has three different attributes: trust, norms of reciprocity, and networks of civic

engagement (Putnam 1993: 170-174).[1] Putnam's primary claim is that the level of social capital of a society strongly shapes the performance potential of democratic government. The causal argument runs as follows. First, because citizens with civic virtue are heavily engaged in their communities, they are more effective in demanding and acting to get good government. Second, social capital provides a strong social infrastructure for the community and instills democratic values within elites and masses. In doing so, social capital facilitates the kind of cooperation and collaboration needed to identify, adopt and implement effective policies for the community (Putnam 1993: 182). Consequently, in communities where the three components of social capital are widespread among the citizenry, democratic governments perform well. On the contrary, in communities where there is little social capital to be found and democratic governments perform poorly.

Although Putnam (1993: 163-176) draws creatively upon different game theoretic arguments about cooperation, collective action, and public goods, his argument remains vague in that it is not clear how the various problems such as free riding, defection and perverse incentives are related to the specific components of government performance. For example, why is it necessary for building an efficient government information technology system or effective budget cycle that the potential for non-cooperation or collective action problem be overcome in society? Or if it is argued, as Knack (2002) does, that social capital helps to overcome the collective action problem that exists in monitoring government, it takes yet another set of

[1] It should be pointed out that although Putnam lists these three components of social capital as of primary importance, his empirical measures of social capital actually consist of preference voting, referendum turnout, newspaper readership, and scarcity of sports and cultural organizations (Putnam 1993: 91-96). Thus, the measure actually captures associational engagement and political participation, trust and norms of reciprocity are measured only indirectly (if at all). Further, the original developers of the social capital argument defined social capital functionally: whatever facilitates individual or collective action. Such a definition, however, becomes very context-dependent and subjective, which is why the definition comprising the three context independent attributes of social capital is preferred here.

assumptions to create a link between overcoming the collective action problem and increasing the accuracy of revenue forecasting or hardware and software performance in government management, that constitute the components of his government performance measure. Indeed, if such a direct link existed, *political* institutions would be redundant. Furthermore, due to the research design employed, Putnam disregards the effect of (government) institutional design on performance claiming to hold this effect constant (1993: 10). Eliminating (prematurely) one potential determinant of performance, his causal argument has to rely on societal determinants of performance also in the case of those attributes of performance that concern the internal operations of government.

The confusion surrounding Putnam's argument about the relationship between "good government" and social capital is not only theoretical. Consider, for example, Jackman and Miller (1996), who reanalyzed Putnam's data on the performance of Italian regions and found more than one latent concepts emerging from the data. They argued, "Putnam's single-factor solution does not constitute a reasonable representation of most of the information contained in the 12 indicators" (639). Further, in the disaggregated analyses indicators of administrative effectiveness such as budget promptness and statistical services were not linked to the measure of social capital whereas the measures of housing development, health spending, day care centers, reform innovation – the indicators of policy responsiveness – were. Further, Rice and Sumberg (1997) replicating Putnam's study with data from the U.S. states used three different sets of measures for government performance: "policy liberalism", "policy innovation", and "administrative effectiveness" (108-109). While they also aggregate these different sets of indicators into a single measure of government performance, they present, *en passé*, correlations between the different components of government performance and their measure of social

capital. The latter had the strongest correlation with the measure of policy liberalism and the weakest with the measure of administrative effectiveness. These pieces of evidence indicate that the relationships between social capital and different aspects of government performance are *not identical*. They also imply that the uni-dimensional concept of government performance remains restricted and the theoretical propositions derived from such a conceptualization are incomplete. Thus, the dimensionality of government performance employed in this study is not an attempt to construct a concept for its own sake. Rather, it is driven by existing theoretical deficiencies and inconclusive empirical evidence with regard to the determinants of government performance.

Chapter 4 develops an argument that the problems of cooperation and collective action *within* an institution are different in nature than the problems of cooperation in society. In terms of the approach of methodological individualism, the former resembles the situation descried in the principal-agent models, whereas the latter poses a problem of voluntary cooperation or the cooperation *without* a supportive institutional structure (or central authority). More specifically, this study argues that social capital is associated with the policy responsiveness attribute of government performance. Policy responsiveness has been defined here as the extent to which a government allocates and mobilizes resources for various types of public goods and services. The characteristics of public goods are that they are non-excludable, i.e. anyone can enjoy them whether they have paid for their provision or not; and they are jointly supplied, i.e. one person's use does not diminish the supply available for others. These characteristics make it almost impossible for public goods and services to be provided on private markets. Thus, they may remain undersupplied relative to the levels that the members of society would prefer. The obvious solution to this problem is the public production of public goods and services. Yet public provision does not just happen. Political pressure must be mobilized to encourage the institutions

of government to make this provision a matter of public policy: political actors must be persuaded to act. However, if the provision of a public good or service distributes some benefit widely, and if the enjoyment of that good or service is unrelated to whether a contribution has been made towards mobilizing politicians to act, then the immediate problem of free riding occurs. If many public services are like public goods, then their supply depends on individuals and groups successfully engaging in collective action to get the government to provide them. Since magic wands are not available, the public supply solution to the provision of public goods becomes a problem in collective action. The least costly and probably the most effective way to overcome collective action problem is the existence of norms of reciprocity and trust in society that are reinforced by ongoing social relationships, or by repeated games in more formal terms (see Axelrod 1984, Taylor 1987). Thus, higher levels of social capital within a society enable the societal mobilization necessary for the provision of public goods and services.

The problem of cooperation and coordination within bureaucracy preventing efficient administration (including budget promptness, statistical services, accuracy of revenue forecast, existence of long-term planning etc.) is not equivalent to the problem of cooperation between citizens. The potential problem with bureaucrats is not their undesirability to contribute to the collective effort and public interest, but their incentives stemming from a potential for personal gain (Niskanen 1971). More specifically, administrative effectiveness is an output reflecting the behavior of bureaus and the behavior of politicians. Any theory of bureaus must be based on the relationship between bureaucrats and politicians where the former act as agents and the latter as principals. The nature of the "agency problem" between these two sets of actors is what defines the level of administrative effectiveness. Bureaucratic independence is understood as the possibility for bureaucracies to choose policies that differ from the preferences of the enacting

coalition. Given the freedom of bureaucrats to interpret legislation freely politicians will prefer to restrict them *ex ante,* that is, to include procedural restrictions inside the legislation (McCubbins, Noll and Weingast 1987, 1989). Procedural restrictions, however, limit the administrators' ability to coordinate people and other resources to achieve legitimate public objectives. However, politicians can monitor bureaucrats also *ex post* via oversight (McCubbins and Schwartz 1984). The smaller the number of agents the less costly would be the monitoring. Miller (1992) argues that delegation of administrative authority to more than one subordinate entity often leads to incoherent behavior, the more so when subordinate entities have specialized (or different) functions. Systems that confer institutionally strong powers to a chief administrative officer have the effect of reducing the number of agents to one. Moreover, from the bureaucrats' point of view, the more principals they have the more they can not just play them one against the other (as the rational choice perspective would suggest) but also the more difficult will it be to coordinate between conflicting political objectives leading to less cohesion in management. Politically neutral chief administrative officer would not only reduce the pressure of compromising between conflicting demands that bureaucrats with multiple principals necessarily face, but also create a more stable administrative system, less vulnerable to electoral cycles.

In general, as government performance is a collective output, the level of performance depends on the level of cooperation between the actors providing it. Both institutional design as well as societal attributes can foster or impinge the level of cooperation. The relative effect of these variables on government performance depends on the aspects of performance. These aspects, defined here as policy responsiveness and administrative effectiveness are, in turn, related to different kinds of problems of cooperation. More specifically, cooperation and

coordination in society leading to government policy responsiveness requires social capital; cooperation and coordination in a bureaucratic organization leading to administrative effectiveness requires supportive institutional structures. Chapters 4 and 5 present an empirical inquiry into these relationships. The difference between the chapters is in methods. Chapter 4 employs large-N statistical analyses and draws general conclusions about the factors that are related to either dimension of government performance. Chapter 5 presents the eight case studies – four from both the U.S. and Germany – that serve the purpose of providing additional evidence about the institutional and societal factors influencing the level of government performance on administrative effectiveness and policy responsiveness.

1.3 METHODS OF INQUIRY AND THE SELECTION OF CASES

The method of the study is empirical. As the study seeks to measure and explain *government* performance, it requires a cross-system comparative design. Furthermore, as the purpose of the research is to make general arguments about government performance, generalizability of results is a desirable criterion for case selection. These two considerations make subnational governments in a cross-national context a more attractive locus of analysis than national governments. However, in order for an analysis of subnational cases to be meaningful, these governments need to enjoy considerable independence in both administrative as well as policy matters, and be large enough to perform diversity of tasks. The U.S. and Germany are both federal and decentralized countries (see Lijphart 1999) with local governments having considerable power to decide upon their budgets and operations (see Sbragia 1996 for the U.S. and Gunlicks 1986 for Germany). These countries are appropriate for the analysis for another

reason: they are different in many aspects relevant for government performance, thus, allowing to fulfill the generalizability criterion set for the case selection (Przeworski and Teune 1979).

Compared to the U.S., Germany is much more legalistic, state-centered and adheres more to the equalization of living conditions. Each system specific feature constitutes a part of the robustness test the empirical analysis is facing in order for the results to form an adequate basis for general conclusions. First, the administrative organization and service provision in the German local government system is more uniform than in the U.S. local government system (Gunlicks 1986). The U.S. local government is managerially oriented and highly accountable to citizens; in Germany, however, local government is a part of the heavily regulated and culturally legalistic public sector (see Dafflon 2002). Second, public sector in Germany is larger and the sector has higher expectation to influence the lives of the people. There is an acute concern for equity that causes the German federal government to involve in fiscal equalization among local governments. The objective of this is to provide citizens everywhere with an equal level of public facilities and services, in spite of federal structure and decentralized administration. The U.S. federal government as well as state governments are much less involved in equalization grants. American city governments are also less bound by national level policy commitments, which allows for more variation in service provision and policy development at the local level. Third, Germans have a strong state-centered orientation: the state is seen as somewhat separate and probably superior to society; following the rules of the state seems to be the most relevant duty of the citizen. Political participation in any other form than voting is not highly valued. Most people prefer higher taxes and more public provision to lower taxes and less public provision (Grunow 1991, see also Almond and Verba 1963). In all these aspects Americans are

almost polar opposites of Germans: there is skepticism towards too much government power and an active participation in the political system (Powell 1986, Almond and Verba 1963).

In general, the German setting poses a much more conservative test for the dimensionality of government performance, since there may simply be less variance on the indicators capturing policy responsiveness (due to the commitment to equality) and administrative effectiveness (due to legal regulations). Yet, if the empirical dimensionality tests provide significant results in both settings, one can be more confident that two distinct dimensions of government performance truly exist. Similarly, finding empirical support for the hypothesized relationships in both national settings allows drawing more generalizable inferences from the analyses. On the other hand, if there are significant differences in the hypothesized relationships between these two settings, the distinct features of either system articulated above may prove useful starting points to find reasons for the divergent empirical results.

Considering different systems for analysis arises another concern of the comparative method: the 'traveling problem' (Sartori 1970), or the question of how meaningful it is to use same concepts and measures across different political settings. Peters (1998) has identified two different levels where traveling problem can occur: the conceptual level of analysis and operational level of developing measures. On the conceptual level, government performance has clearly been a concern both in the German as well as American local governments.

In the U.S. the quest for efficient administration, especially in the context of fiscal austerity, is timely both in the academic as well as professional discourse of urban affairs (Poole 1980, Clark 1994). Since the beginning of the last decade administrative effectiveness and efficiency together with flexibility and responsiveness have also become the main concerns of

German city governments (Klages 1995, Reichard 1997, Hendriks and Tops 1999, Wollman 2000). Policy responsiveness has also a clear meaning in the case of the U.S. city governments. Since the World War II service delivery has become the *raison d'etre* of the American city (Herson and Bolland 1997). Fiscal consciousness in contemporary cities has not necessarily caused a uniform decrease in policy responsiveness. Rather, it has compelled activist governments to search for innovative ideas in service provision and policy development (Clark 1994). German local governments also engage in meaningful local level policy-making. The most common areas of city government activism and innovation are: cultural activities, libraries, adult education centers, sports and recreation facilities, and economic promotion activities (Gunlicks 1986).

Thus, conceptually, administrative effectiveness and policy responsiveness are expected to travel well between these two settings. However, this may not be the case for the operational definitions of these concepts. For example, measuring financial management capacity by looking at whether a government has mechanisms that preserve stability and fiscal health provides considerable variation in the case of the U.S. cities (Barrett and Greene 2000), but not in the case of German cities, since in Germany these mechanisms are provided in the Maastricht Treaty, the Basic Law, and general municipal charter (*Gemeindeordnung*), and not decided by the individual cities. Similarly, spending on public safety may be an appropriate indicator of local government allocational policy responsiveness in the U.S. context, in Germany, however, this is a function performed by state governments with no possibility for local level initiative.

With these operationalization problems in mind, there is no attempt to compare individual city governments across the two countries. This would lead to considerable difficulties in finding comparable indicators and create an additional source for extraneous variance. Instead,

the level of analysis is within countries, the results are verified across countries. Of course, every effort is made to create operational measures corresponding to each other across countries as closely as possible.

The sample sizes for the U.S. and Germany are 35 and 85 local governments respectively. The U.S. sample is restricted to the sample used in the Government Performance Project (Barrett and Greene 2000) and contains the largest cities by revenue. The German sample contains cities with population between 50 000 and 300 000, excluding the few largest cities to ensure comparability of cases in their functions and size. The cities in both samples are not geographically concentrated but represent regional diversities: the German sample covers all states (except the city-states) and although the U.S. sample falls short of representing every state, it covers all geographic regions. Overall the samples are expected to be representative of the large and medium sized communities in both countries. The analysis is cross-sectional, using data from one time-point within a general timeline of 1995-2002 depending on the availability of data. No analysis across time is attempted.

The study uses multiple methods of inquiry. First, quantitative indicators of city governments' performance are factor analyzed in order to determine whether these indicators form two distinct latent clusters: administrative effectiveness and policy responsiveness. The ordinary least squares regression analysis is the dominant method used in order to present patterns of relationships associated with each dimension of government performance. The data for the quantitative analyses were collected from a variety of sources. These include surveys of city governments performed by the Government Performance Project and German Association of Cities, mass surveys including DDN Needham Life Style survey and German General Social Study. Some data were also coded from the U.S. Census Bureau files, the Statistical Yearbook of

German Local Governments, the U.S. City Charters, Municipal Yearbooks (the U.S.), German local government constitutions, and various other city documents.

In addition to the quantitative analyses, comparative case studies were conducted on four cities from each country in order to examine in greater detail the possible factors behind different types of government performance. The selection of the four cases is based on the empirical scaling of the dependent variable. Based on the scale values of each city on both dimensions of government performance, a four-fold empirical typology of government performance is formed in Chapter 3. The four cases from both countries represent one type of government performance each. The case selection according to the typology of government performance facilitates comparison among different types and aid in the discovery of significant characteristics that are logically independent of the criteria defining the types but empirically associated with the different types (see Lijphart 1969). They also serve the purpose of triangulation in evidence provision and allow addressing questions that might arise as a result of the statistical inquiry. Several unobtrusive measures, such as study of the city documentation, media review, and observation were used for the qualitative data collection. Additionally, in each city 8 to 10 in-depth interviews were conducted with city administrative department heads, City Council members and active community leaders.

1.4 FINDINGS

The evidence presented and verified across two different national settings indicates that communities with higher levels of social capital tend to be more effective in pressuring their governments to provide more public goods and services. The study also shows that social capital

is less useful a concept for explaining the effectiveness and efficiency within the bureaucratic organization of government. The variance on this dimension of government performance is better explained by institutional and demographic variables. Chapter 6 discusses these results and draws comparative conclusions from the analyses performed separately for Germany and the U.S. It discusses the generalizability of the findings of this study given the most different systems setting in which the empirical test have been performed.

The results of the study have important implications. First, the findings clarify the theoretical linkages, and to a certain extent, also the direction of causality between social capital and government performance. High levels of social capital facilitate overcoming collective action problems in society, which makes it easier for citizens to articulate their demands and exercise pressure on policy-makers. The danger that government activity may kill private initiative and lower the level of social capital is not confirmed in this study; rather on the contrary. Students of comparative politics may not consider this finding too counter-intuitive: social capital appears to be the highest in countries where government is actively involved in service provision, consider Scandinavian welfare states (Putnam 2000).

Second, studies so far have left a rather bleak prospect in terms of the possibility of improving government performance, as increasing the level of social capital is a complicated enterprise (Putnam 1993, Knack 2002). The results of this study suggest that government effectiveness can and should be designed. Administrative effectiveness might be increased by favorable institutional arrangements and availability of resources. The efforts of administrative modernization are not necessarily doomed to failure in less civic communities.

Third, concerning the debate between the cultural and the institutional explanations of government performance, the findings of this study suggest that both variables help to

understand the level of performance, but on different dimensions. That is, administrative effectiveness is mainly associated with endogenous or institutional variables, and policy responsiveness is more closely related to exogenous or societal variables. Thus, certain reconciliation between the competing explanations of government performance has been achieved. Stated differently, the debate about the institutional and cultural variables as rival determinants of government performance seems to be misplaced, as it is the level of cooperation that is most directly linked to performance, and both variables can induce cooperation in different contexts.

The study does not promise to provide a practical handbook for measuring and improving upon government performance. The contribution of this study is that it takes a more systematic approach to defining the relevant attributes of government performance, identifying indicators for each attribute, and using statistical scaling methods to confirm the empirical validity of the distinctiveness of the attributes. Only then does it start building a theory around either attribute. This way it has been possible to theoretically as well as empirically specify the significant relationships associated with either attribute and build a more complete picture of what determines government performance and how.

2. RECEIVED CONCEPTUALIZATIONS OF GOVERNMENT PERFORMANCE

The interrelated tasks of conceptualization and measurement of the dependent variable – government performance – serve as the initial stage of theory development. Thus, the purpose of the current chapter is to give an overview of the different conceptualizations of government performance as used in the political science literature. The chapter is organized into reviews of different research traditions: studies on government-citizen relations using public opinion data, studies on performance measurement in public administration, and studies on democratic performance that attempt to assess, explain, or determine the effect of government performance. Both conceptualization and operationalization of government performance will be the center of attention in the course of this review.

2.1 THREE WAYS OF CONCEPTUALIZING GOVERNMENT PERFORMANCE

2.1.1 Public Opinion and Government Performance

Using public opinion data for measuring government performance has an intuitive appeal as some might say that the ultimate verdict of the performance of a democratic government is public opinion (see Pharr and Putnam 2000, Norris 1999, Lipset and Schneider 1987, Brudney and England 1982). Studies in this research tradition have considered the fluctuation in people's confidence in government, their satisfaction with the enacted policies and their evaluations of government performance or that of certain services.

2.1.1.1 Citizen confidence in government

An extant literature has presented evidence that citizen satisfaction with the way government is working has been decreasing considerably for the past 20-30 years in the U.S. (see Blendon et al. 1997, Craig 1996, Hibbing and Theiss-Morse 2001, Lipset and Schnider 1987, Miller 1974, Miller and Borelli 1991), Canada (Nevitte 2000), in the advanced industrial countries of Europe and Asia (see Cusack 1999, Inglehart 1997, Klingeman and Fuchs 1995, Norris 1999, Nye, Zelikow, and King 1997, Pharr and Putnam 2000 for the presentation and analysis of the relevant data), and in the fledgling democracies of the Central and Eastern European (Rose, Mishler, and Haepler 1998, Mishler and Rose 2002).

Yet the relationship between government performance and citizen confidence in government remains at most speculative: it has neither theoretically nor empirically been confirmed. Several studies have used crude outcome measures (such as inflation, unemployment, budget deficit etc.) and attempted to compare variance in these "objective performance measures" to variance in public opinion about government in North America and Western Europe (Clarke, Dutt, and Kronberg 1993, Katzenstein 2000, McAllister 1999, Miller and Listhaug 1999). These analysts have contended that it may be simple economic change, not general government performance that influences political confidence.

In addition, government and its institutions are not the only ones that are losing the trust and confidence in the eyes of people. Public confidence has also decreased in such institutions as private companies, medicine, universities, church, and the legal system both in the U.S. as well as in the west European context (see Blendon et al. 1997, Dalton 2002, Lipset and Schneider 1987, Listhaug and Wiberg 1995, Nye 1997).[2] Indeed, the very fact itself that public confidence

[2] There is some contradictory evidence about Western Europe: some authors claim that contrary to the case of the U.S., confidence in private companies and education system actually increased over time (Listhaug and Wiberg

in almost all public institutions (especially in the U.S.) has been steadily decreasing over the last 20 to 30 years suggests that something more far reaching than poor performance must be responsible.

Other explanations found in the literature undermine the validity of the assumption that public discontent with the government of the day bears one-to-one relationship to the performance of the latter. The economy in general, as alluded to above, and people's perception of their own economic situation specifically, has been found to be one of the reasons for discontent. Citrin and Green (1986), Craig (1996), King (1997), Lipset and Schneider (1987), McAllister (1999), Miller and Borelli (1991), present the evidence that those people whose financial situation has worsened and who believe that the state of economy as a whole has become less favorable express more discontent with government. These relationships have been confirmed comparatively as well as in the U.S. context; the strength of the relationship is usually modest, but relatively consistent. At the aggregate level, while it is clear that some of the discontent can be traced to adverse economic conditions (see McAllister 1999, Miller and Listhaug 1999), Lawrence (1997) shows that such conditions are not a powerful explanation of discontent over time.[3]

Furthermore, trust in government institutions is closely correlated with the public's perception of the ethics and morality of the leaders of those institutions (Lipset and Schneider

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1995). More recent evidence from large European countries such as the U.K., France and Germany, however, indicates that there is decreased confidence in the leadership of business corporations (Dalton 2002).

[3] It is necessary to add that Lawrence tests his proposition in the U.S. context only. Thus, his results may reflect some of the American idiosyncrasies. Moreover, McAllister (1999), in his comparative test of the same proposition confirms Lawrence's result that the relationship does not hold in the case of the U.S., which further proves the above speculation. McAllister further alludes to the possibility of the well-developed civil society in the case of the U.S. as an explanatory factor for why American people are less likely to blame government for economic downturn.

1987, see also Orren 1997, for international evidence see della Porta 2000, Pharr 2000).[4] This perception is most probably fuelled by the changing role of the media: the news has become more negative, focused more on conflict than on substance (Patterson 1993). Moreover, it has been argued that politicians themselves reinforce negative views about government. Orren (1997: 95) states that, "the denuncification of government by political leaders and the press … is now a dependable and constant feature of the contemporary political culture". Further, Ansolabhere and Iyengar (1995) have showed by controlled experiments that negative campaign ads are effective, but by using them politicians consequently increase cynicism. E. Berman (1997) has similarly shown that both the cynicism of media as well as politicians about the local government is positively and strongly related to the cynicism of the citizens towards the local government.

Studies also suggest that satisfaction with the work of any institution depends on a relationship between personal expectations and performance (Miller and Listhaug 1999, Orren 1997, Thompson 1993). Confidence may, thus, erode because expectations have increased, or simply transformed, although the performance has remained the same. In a similar vein, satisfaction may decline not because government is performing worse, but because it has decided to undertake, most probably with public consent, more difficult and controversial policies. Other authors have tied the loss of confidence in government institutions to the party polarization in the U.S. (King 1997) and realignment of political parties in general (Brady and Theriault 2001, Funk 2001, see also Nye 1997). More sweepingly, Inglehart (1997) argues that increased cynicism about government is explained by a culture shift: eroding respect of authority is part of modern and post-modern values as people switch from survival to quality of life values. In sum, the fact that there are numerous factors other than government performance that account for citizen

[4] Some observers, however, doubt that there has been increase in scandal (see Garment 1991) and question the persuasiveness of this proposition.

satisfaction with government does not create confidence in this measure as an indicator of government performance.

2.1.1.2 Public opinion and public policy

The students of representation have attended the question of public opinion and policy congruence. While the research is abundant, the evidence is, again, inconclusive. The earlier studies pessimistically indicated quite low level of congruence of the opinion of representatives and their constituents (see especially Miller and Stokes 1963), thus amplifying the Burkean notion of the representative as a trustee and leading further to theories of elite manipulation of public opinion in order to explain some of the congruence (see Jacobs and Shapiro 2000 for a powerful argument). Later studies, moving away from the conceptualization of representation as a dyadic relationship between the representative and the represented, have demonstrated that the legislature collectively responds fairly well to public preferences, especially so on high salience issues (Monroe 1998, Page and Shapiro 1983, Stimson, Mackuen, and Erikson 1995); and that public, in the other hand, is able to recognize important policy changes (Wlezien 1995, 1996). The problem with opinion-policy congruence studies, however, is that these opinions have a strong ideological flavor and involve selective perceptional focuses. That is, people who find there to be a discrepancy between what government does and what they perceive government should be doing lose faith in government institutions not because the latter are doing a bad job, but because they are doing too good a job in advancing wrong policies (see Downs and Larkey 1986, Miller 1974, Orren 1997). Yet there is no conceivable pattern of government spending that could be considered optimal by everyone. Each individual will always think it possible that government could produce a different (more valuable) set of outcomes and, thus, increase responsiveness in this specific case. Yet, when government performance and responsiveness is

measured by the extent of congruence between its goals and those of our own, there will always be disappointment.

Further, in terms of comparative evidence about the association between public opinion and public policy, Wilensky (2002) demonstrates that difference in "demand" or public preference for certain policies rather than others cannot explain the differences in taxing and spending patterns or the actual government policy choices. The argument is that there are simply no cross-space differences in public issue specific preferences (in aggregate terms): there is a uniform popularity of pensions, national health insurance, family policies, safety and security, economic growth and a similar uniform suspicion of public assistance targeted towards the nonworking, non-aged poor. Yet there are also considerable cross-space differences in policies in all of these areas. Public opinion, a constant in this equation, cannot account for the observed variance and, thus, does not serve as a useful basis for determining the specific policy choices made by governments.

The representation research, more attentive of the methodological issues, has also generated considerable amount of criticism in terms of the validity and reliability of public opinion data in general, and the popular lack of attention and ignorance towards political information specifically (Abramson 1983, Converse 1964, Kinder and Sears 1985). One of the most unsettling findings of the public opinion research has been the large component of randomness in most people's answers to survey questions (Zaller and Feldman 1992). "If the same people are asked the same question in repeated interviews, only about half give the same answers" (Zaller and Feldman 1992: 580). Numerous studies also record findings not only of random response variance, but also of a systematic variance from artifactual "interview effects", i.e. people's responses to interview questions are affected by the order of the questions asked, the

nature of the question (open-ended vs. closed choice questions) and the like (see Bishop 1990, Krosnick and Schuman 1988, Tourangeau et al. 1989).

2.1.1.3 Public opinion and quality of public service

There are also studies that look at the public's verdict on the performance of a specific (usually local) government or an agency. The assumption is that for assessing the quality of specific services and governments close to citizens' everyday life, public opinion proves an accurate measure. Some studies have used public opinion data as the measure of their dependent variable: the performance of a (local) government (Cusack 1999, DeHoog, Lowrey, and Lyons 1990, Katz et al. 1975, Miller and Miller 1991, Rice 2001). Other studies have compared citizen satisfaction with some objective measures of local government service provision (Stipak 1979a, 1979b, 1977, Swindell and Kelly 2000). Still others have compared citizen satisfaction with private and public services (Poister and Henry 1994), or compared citizen opinion to the officials' perception of those opinions (Melkers and Thomas 1998).

These studies, however, have also confirmed the extraneous nature as well as the unreliability of measures of citizen satisfaction with local government. Several authors have provided evidence that many people are in error about the facts (Bok 1997). Authors have shown that measures such as tons of garbage collected, proximity of schools and parks etc. do not bear a one-to-one relationship with shaping public satisfaction and that public evaluation of public services may lack solid grounding in reasoned appraisal (Brown and Cutler 1983, DeHoog, Lowrey, and Lyons 1990, Parks 1984, Stipak 1979b). Also, people often commit *attribution error*, i.e. citizens may believe that a government jurisdiction is delivering a service when it actually is not and vice versa (see Lowery, Lyons, and DeHoog 1990, Thompson 1997). The inconsistency of people's preferences has further been demonstrated by the studies that show the

evidence of incongruence between citizens' preference for more (local government) services and their willingness to pay for these services (Beck et al. 1987, Glaser and Hildreth 1999, Lowery 1985). Thus, people commonly show little knowledge of even the relatively observable local governments and their services.

Furthermore, apparent inconsistency also exists between citizens' judgments of the performance of specific agencies and those of the government as a whole: the assessments of the former tend to be more favorable (Bok 1997, Miller and Miller 1991, Thompson 1993). However, it is not at all that clear why this is the case and what is the basis of such evaluation.[5] Also, people's direct contacts with officials tend to produce higher evaluations of the work of government (Stipak 1979b). Katz et al. (1975) have shown that, on average, two-thirds of people were satisfied or very satisfied with their agency encounters, most of those people thought that their problem had been taken care of, an overwhelming majority thought they had been treated fairly and that the agency had been efficient.[6] Yet more general evaluations of government were considerably and consistently lower. Other studies have similarly demonstrated that negatively toned experience tends to move the preexisting neutral or positive attitude in the direction of the experience, while positive experiences do not have the same effect in changing attitudes in more positive direction (Katz et al. 1975, Nisbett and Ross 1980). Often people's negative views are based on simply 'common sense' and they voice these negative opinions of bureaucracy even if they never had any personal contact with the officials (Lowndes, Pratchett, and Stokes 2001, see also Brudney and England 1982). More generally, it is not known on which aspects of government service citizens base their satisfaction or evaluation (Stipak 1979a, 1979b, 1977).

[5] Fenno (1978) has demonstrated similar effect in the case of public attitude towards the U.S. Congress: when asked about Congress as an institution, a high proportion of citizens were very critical, but when asked about their own representative in Congress, a high proportion of respondents were highly complimentary.

[6] See also Goodsell (1994) on the argument that most personal encounters with bureaucracy are positive.

That is, different respondents may base their assessments on different aspects of performance dependent on what they perceive as most salient or important. Studies using public opinion as the measure of government performance often make an implicit assumption that survey respondents share a common point of reference in evaluating performance.

There is also the assumption that these evaluations will not become more critical as the actual level of service provision improves (i.e. they assume there to be a linear monotonic relationship between the public perception of performance and the actual performance). However, given the difficulties of measuring attitudes and opinions, these assumptions cannot be taken for granted. Further, several findings indicate that citizen evaluations of specific services and agencies may be affected by different demographic characteristics such as race and age, as well as income (see DeHoog, Lowrey, and Lyons 1990, Swindell and Kelly 2000, see also Brudney and England 1982). Thus, a mean comparison of performance assessment across government units, as frequently utilized in the analyses, may erroneously attribute differences in the perception of service quality to government performance, when the actual source is demographic differences across localities.

There is still another set of studies that operationalize government performance in the manner often used for evaluating the performance of private sector organizations: considering employees' opinion about their organization (Brewer and Selden 2000).[7] Such a technique, however, does not eliminate the problems associated with measuring public opinion. Further, it is much more conceivable that employees' perceptions about the performance of a private company are based on some objective indicators such as productivity. In the case of government agencies productivity measures are not readily available and the basis for employees' perceptions of the

[7] See Delaney and Huiselid (1996) for using the same method about private sector organizations.

performance of a specific agency is not uniformly defined. Light's (2002) review of the survey of public servants points to some of the intervening variables: employees who work in bigger organizations and in or near Washington D.C., tend to give more positive evaluations than employees of middle-size or small organizations who work in the field. Similarly, federal employees who work at the prestigious, traditionally inner-cabinet departments of Defense, Justice, State, and Treasury were much more likely to believe that all levels of their work force were improving, and more likely to describe their organizations as trusted. None of these variables is directly concerned with any service quality or productivity standard.

The review of different sets of studies using public opinion as a measure of government performance raises concerns about the validity of this measure. Studies considering citizen satisfaction with government have identified a set of explanatory variables accounting for the variance in the level of satisfaction. Unless we are willing to force government performance into the residual category of these regressions, its relationship with public trust remains unknown. And even if we accept that some of the unexplained variance in public confidence in government is attributable to government performance, we still lack a conceptual and operational definition of government performance. Furthermore, there are several methodological issues related to measuring public opinion that increase the measurement error. Even when evaluating the performance of more tangible government activities, e.g. local government service provision, people's ability to make knowledgeable judgments remains limited and the criteria on which people base their judgments remain unclear. In sum, it is not easy to infer the meaning and level of government performance from the public opinion data.

2.1.2 Public Administration View on Government Performance

Being the study of the art and science of management applied to the public sector, it is only natural to start to look for a proper definition and measurement of government performance in the public administration research tradition. The public administration literature considers performance measurement and improvement as a practical managerial task with the end of producing better managerial decisions. The general concept of government performance in this research tradition contains the notion of outcomes: the extent to which goals of the government activities are met. There are two ways in which the public administration literature has measured and studied the concept of government performance: the traditional public administration approach and the new public management approach.

2.1.2.1 Traditional public administration approach

The *traditional public administration* approach, revitalized recently, uses different, usually context-specific criteria that are judged to capture the essence of effective governments (Ingraham and Donahue 2000, Ingraham and Kneedler 2000, see also Meier 1994, Rainey and Steinbauer 1999). Such criteria based approaches on management practices share the assumption that organizations meeting most of the pre-determined criteria have the capacity to be effective and high performing, even if no specific performance measures are analyzed.

Using a criteria-based approach, scholars have recently assessed the administrative effectiveness of different management areas – financial management, capital management, IT management, and human resources management – on different levels of government in the U.S. In order to assess the government capacity in these areas, 23 criteria were developed. For example, the criteria for assessing the quality of financial management were the following:

government has a multi-year perspective in budgeting, government has mechanisms that preserve stability and fiscal health, sufficient financial information is available for policy-makers, managers, and citizens, government has appropriate control over financial operations.[8] The fulfillment of each of these criteria was assessed based on the information gathered from a survey of governments. Depending on how well the criteria were met, each government was graded on the five management areas.

The grades provide illustrative measures of the level of government capacity and can be used in further analyses. For example, Knack (2002) and Pierce et al. (2002) use these in order to test the relationship between government performance and social capital in American cities. The object of measurement and the unit of analysis are clearly defined: effectiveness, i.e. administrative and operational effectiveness (not the effectiveness of the general policies) and administrative functions of a government respectively. These measures are operational, and the levels of performance comparable across governments. This approach, especially in its recent applications, by restricting itself to the study of administrative effectiveness explicitly, seeks to explain the role administration plays in society.

Other studies have used similar kinds of instrumental measurement in order to tap government capability (Bowman and Kearney 1988) or administrative quality (Barrilleaux, Feiock, and Crew 1992). The rationale is similar here: poorly developed structures and processes inhibit the ability of government to act effectively, efficiently and responsively. Bowman and Kearney (1988: 359) while assessing the capability of all branches of the U.S. state governments conclude that "factors such as staffing and spending, accountability and information

[8] See Government Performance Project at http://www.maxwell.syr.edu/gpp/ for the results of the assessments of the U.S. federal, state, county, and city administrations. For the analysis of specific management areas see, for example, Ammar, Duncombe and Wright (2001), Ammar, Duncombe, Hou and Wright (2001): financial and capital management, Donahue, Selden, and Ingraham (2000), Selden, Ingraham, and Jacobson (2001): human resource management.

management, and executive centralization seem to capture the heart of capability". Barrilleaux, Feiock, and Crew (1992), on the other hand, assess the quality of state *administrations* only, by predefining seven standards of quality administration: professional expertise, information processing, innovativeness, efficiency, representativeness, partisan neutrality, and integrity.

Although the ultimate goal of such conceptualization and measurement is assessing government performance, what actually is measured is government *capacity for performance*. The measurement rests on the assumption that if there is no capacity for administration and implementation, successful outcome is very unlikely (see also O'Toole 2000), essentially equating capacity with performance.[9] Also, this approach is concerned only with the internal operations of a government and does not consider *what* governments – the substantive policies.

2.1.2.2 New public management

Most of the rest of the public administration literature on performance attempts to go beyond capacity and tackle government performance more broadly. The *new public management* school stresses the importance of results and advocates the notion that organizations should be concerned with their outputs and outcomes, rather than simply with procedures through which the latter are produced (see Halachmi and Bouckaert 1996). Critics have pointed out deficiencies of an instrumental approach to the measurement of government performance: the traditional public administration consideration of administrative effectiveness as the measure of government performance assumes, rather than establishes, the link between process and outcome, and this

[9] To an extent it is not wrong to equate government capacity with government performance because the measures of capacity capture explicitly *government activities*, factors that government can directly control and influence, while performance (defined as outcomes or goal achievement) contains factors exogenous to and not easily controlled by government (such as environment, region, economic situation etc.).

assumption has been argued (though not proved) to be unrealistic (see Halachmi and Bouckaert 1996).[10]

In this research tradition performance measurement is most generally understood as the existence of clear objectives and assessment or measurement of outputs and outcomes in relation to these objectives (Hatry 2001). Much of the literature on performance measurement and management in government has been prescriptive, reflecting immediate concerns of practitioners in public sector and oriented towards identifying and advocating the spread of "best practices" rather than tackling with conceptual questions and systematically measuring and explaining the performance of specific governments. Because of the goal of finding a prescription for making public programs or agencies work better, this body of literature does not provide any operational measure of *overall* government performance.

The performance management literature tells us the following: how government performance should be measured (for example, Grizzle 1982, Hatry 2001, Schick 2001, Thomas 2001); what conditions facilitate or hinder the adoption of performance measurement systems (Berman and Wang 2000, Boyer, Lawrence, and Wilson 2001, Broadnax and Conway 2001, de Lancer Julnes 2001, Grenier 1996); how widespread is the actual use of performance measurement systems internationally (Halachmi and Bouckaert 1996, Hegewisch and Larsen 1996, Pollitt and Bouckaert 1995) as well as by different levels of government within the U.S (by federal agencies: U.S. General Accounting Office 1992; by states: Ingraham and Moynihan 2001, Lee 1991, Melkers and Willoughby 1998, Willoughby and Melkers 2001; by counties: Berman and Wang 2000; and by cities: Poister and McGowan 1984, Poister and Streib 1989, Stipak and O'Toole 1990); whether and why this information gathered is also used by managers

[10] However, see Wolf (1997) who provides support, by way of performing a meta-analysis of previous case studies, for the hypothesis that managerial capacity and entrepreneurial characteristics of a government agency are the keys to their effectiveness.

(Greiner 1996, Ingraham and Moynihan 2001); and why measuring performance in the public sector is altogether dysfunctional creating extra financial costs (Bradley and Flowers 2001), cost in terms of moral hazard (Courty and Marschke 1997, Marschke 2001, Radin 2000) or goal displacement (Barnow 2000, Heinrich 1999, Perrin 1998). But it does not tell us how well or poorly any specific government performs.

Performance measurement is a managerial tool serving managerial needs (Ammons, Coe, Lobardo 2001, Coe 1999, de Lancer Julnes and Holzer 2001, Greiner 1996, Halachmi 1996, Heinrich 1999, Poister and Streib 1999, Radin 2001). The wider use of such measures and the assessment of government-wide performance based on these measures are difficult if not impossible (Bradley and Flowers 2001, Downs and Larkey 1986, Halachmi 1996). That is, according to the performance measurement literature, measures of government performance should include indicators of outcomes and goal achievement. However, such a conceptualization calls for measures that are not easy to obtain on the overall government level (as opposed to program level). Consider the prescription for the operationalization of performance. The measure of performance should include: inputs, workload or activities, outputs or final products, outcomes, efficiency and productivity, workload characteristics (Hatry 2001). In operational terms this has meant the development of a myriad of specific indicators that ought to be used by agencies in order to determine whether and how well the objectives have been met. Pollitt (2000: 133-134) provides illustrative examples about the bewildering number of performance indicators identified by different efforts of performance measurement: the Federal Productivity Program of 1973 generated more than 3000 indicators, the list of indicators for the performance of the U.K. Next Steps agencies consisted of 314 pages by 1996. The list of indicators identified in the prescriptive scholarly work on measuring performance is also comprehensive in setting the

standards for the measurement: Bouckaert (1993) identifies 20 criteria that should be met by good performance measures, Cohen (1993) needs almost five pages in order to present his list of management effectiveness indicators.

It is relatively easy to comprehend that if 100% of a job training program graduates get new jobs then the program is performing well (although even here part of the outcome may be produced by exogenous factors), it is not easy to construct a metric by which all the numerous programs conducted by any single government at a given time can be aggregated into an outcome measuring government performance. While justified conceptually, such outcome measurement is almost impossible to achieve (at least by a single researcher with limited resources). Such a broad conceptualization of government performance, thus, remains but a theoretical construct with little empirical use.

The few studies that have attempted to use these kinds of performance measures in their analyses have resorted to studying only certain government functions or programs for which easily aggregated data are available. For example, the International City/County Management Association (ICMA) *Comparative Performance Measurement* project that compares the performance of city government basic services such as fire and police protection, street maintenance, parks and recreation, and the like use only 3-5 indicators for each service.[11] Heinrich and Lynn (2000) formulate hypotheses, in the context of job-training programs, about the relationship between organizational structures and performance measuring the latter by five indicators comprising the job placement rate and cost per entry into employment for different social groups. Similarly, Riccio, Bloom, and Hill (2000) investigate how management practices,

[11] The measures used are usually: operating expenditures per capita, expenditure per output unit, and some outcome measure (number of violent crimes, percentage of road miles assessed to be in satisfactory condition) (ICMA 1998). See also Ammons, Coe, and Lombardo (2001) for a discussion of other comparative projects similar to the one by ICMA.

organizational characteristics and service technology influence the performance of welfare-to-work programs in local offices. The performance is defined as outcomes measured by earnings, labor force participation and welfare receipt. Hage and Dewar (1973) use innovation, i.e. the introduction of new programs, as the measure of organizational performance.

In sum, the public administration literature provides two ways of measuring government performance. The New Public Management and performance measurement school is conceptually more ambitious including goal achievement and different stages of government activity (such as inputs, workloads, outputs, outcomes) into its concept of performance. It is intended as a practical guide for the measurement of the performance of specific programs or agencies. However, it does not provide an operational measure of overall government performance for analytic purposes. Another set of studies in public administration has considered government administrative capacity restricting the measure of government performance to the quality of government internal operations. This realm of study is better defined and more operational providing specific indicators that can be measured and compared across governments.

2.1.3 Democratic Performance

In addition to measuring public opinion and administrative effectiveness, studies have also used historical and comparative data about policy outputs and outcomes in order to get at an aggregate estimate of government performance. This literature includes studies measuring democratic performance or "democracy", studies that measure certain aggregate societal outcomes, and studies that have developed certain specific indicators for measuring the (democratic) performance of specific governments in terms of *what* governments do.

2.1.3.1 The performance of liberal democracy

The first set of studies, those dealing with liberal democratic performance, usually takes a very broad approach to defining and measuring their dependent (or sometimes independent) variable. In these studies performance refers to "the degree to which a system meets such democratic norms as representativeness, accountability, equality and participation" (Lijphart 1993: 149). A focus on liberal democratic performance will exclude values that may provide proper measures of the efficiency and efficacy of any system of government (such as macroeconomic management or welfare provision or even system support and legitimacy) and concentrates instead on values listed above, values that are intrinsic to liberal democratic government (Foweraker and Krznaric 2000). This approach, thus, stands explicitly in contrast to the other two approaches of conceptualizing government performance: the public administration perspective examines specific measures of government efficiency while the public opinion approach largely measures government efficacy and public support.

Researchers have developed an impressive collection of indicators of democratic performance.[12] The measures usually capture some aspects of the nature of political rights and political liberties (see Bollen 1991) comprising, in some form or another, some institutional variables such as right to vote, party competition, electoral irregularity, freedom of the press etc. (see, for example, Banks 1972, Beetham 1994, Clarke and Kronberg 1971, Inkeles 1991, Jackman 1973, Lijphart 1999, Powell 1982, Powell 2000). While calling such indicators "measures of performance", these studies are effectively measuring the extent of *democratization* of different political systems and not the level of performance of specific governments.

[12] The purpose here is not to give an extensive overview of studies dealing with democratization and democratic performance, but review the literature to the extent that it speaks to the concept of government performance. See Beetham (1994), Foweraker and Krznaric (2000), and Inkeles (1991) for a comprehensive review of studies using measures of democratic performance as well as for critique of these measures.

Measurement in these studies is expected to be on a very aggregate level comparing democratic and non-democratic (or less democratic, as the measure is not necessarily dichotomous, or different types of democratic) regimes. The aggregate regime-defining indicators are not able to capture differences in performance within democratic regimes.

2.1.3.2 Societal outcomes as indicators of government performance

Another set of studies conceptualizes and measures government performance with the help of some aggregate societal outcomes. These generally take historical and comparative approach to assessing society's progress toward some generally accepted goals such as steady economic growth, or social policy and welfare provision. Bok (1996, 1997) has compared the U.S. with a number of other highly developed industrial nations across time on such outcome indicators as: clean environment, economic growth, pleasant neighborhoods, and protection from violence, poverty and disease. The logic of the argument is that these are the goals shared by large majorities of Americans as well as citizens of other developed nations and with these goals in mind, it is possible to map the progress of each country in the face of others. Various studies comparing subnational governments have also used quality of life indicators, indexing such measures as coverage with health services, kindergartens, average personal income, measures of mortality, level of education etc (see Hansen 1994, Lieske 1990) in order to assess and compare government performance. Other studies have used measures such as inflation, unemployment, budget deficit, economic growth and the like to provide comparative evidence of government performance in different countries or subnational units (see Alesina and Wacziarg 2000, Anderson 1995, Anderson 2001, Clarke, Dutt, and Kronberg 1993, Crepaz 1996, Fried and Rabinovitz 1980, Katzenstein 2000, Kronberg and Clarke 1992, Lijphart 1994, McAllister 1999, Miller and Listhaug 1999, Rice and Arnett 2001).

All these studies concentrate on rather easily accessible, factual data, and rank high on the reliability and validity scale. However, conceptually the measures are disputable. Estimating the government's contribution to the societal outcomes is extremely difficult. Air quality depends on factors such as industry, demographics, geographical location, and people's habits in addition to government environmental policy. Exogenous factors influence also other policy areas and function towards partially determining social progress. Even if comparing seemingly similar systems such as highly developed democracies or subnational governments within one country, not all external conditions can be controlled for. Size of countries (or government units) varies considerably, as do their demographic composition and histories. Thus, there is a danger in committing an ecologic fallacy when using theses measures as indicators of government performance.

2.1.3.3 Government policy performance

Researchers have also attempted to construct a measure of government performance (in a democratic system) that, contrary to studies reviewed above, explicitly captures the activities of governments.[13] These authors consider *what* governments are doing, i.e. government policy outputs, in order to assess their performance. Government expenditure in different policy areas and counting policy tools used by governments are common measures for capturing government policy performance (Jacob 1971, Kelly 2003, Swindell and Kelly 2000).

The usual assumption in these studies is that governments that are more active in public service provision are the better performing ones. For example, Wilensky (2002) in his extensive study of 19 rich democracies considers the difference in public policies and system outputs

[13] Using the distinction made in the public administration literature between government performance and government capacity (see section 2.1.2.1), these studies are effectively also measuring government capacity as the outcome measures are not included in the indexes.

across these countries. His basic argument is that countries that have more participatory governing systems (corporatist arrangements) and that have social policies absorbed into general economic policy produce better system outputs such as economic growth, public health, clean environment, public safety and equality. That is, more active and participatory governments are better governments than the ones that are less participatory and laggards in terms of enlarging the state intervention. In a similar vein, Lijphart (1999) calls governments who actively pursue welfarist policies and social integration as "kinder, gentler" democracies also equating quantity with the quality of government performance.

In sum, studies of democratic performance have proposed two conceptualizations for government performance. One of these considers broad societal outcomes as an indicator of the level of government performance. The deficiency of such measurement is the underlying but untested assumption that these outcomes are mostly or even entirely caused by government activities. Other studies have conceptualized democratic performance explicitly in terms of government activities: their direct policy outputs. Both sets of studies attempt to assess the *product* and not the process of government activity.

2.2 SYNTHESIZING DIFFERENT CONCEPTUALIZATIONS

Broadly speaking, the literature has provided three different conceptualizations of government performance: it has been defined as citizen perception of performance, as the level of government administrative effectiveness, and as the extent of government policy outputs. All these approaches imply valuable elements for the measurement of the performance of democratic political institutions; however, each of them alone remains incomplete and cannot grasp all the relevant aspects of government performance. Some authors have recognized that and tried to

integrate the different conceptualizations. Putnam et al. (1983) and Putnam (1993) combine administrative effectiveness and policy outputs into an overall index of government performance. Given that they want to capture government activities, public opinion is not factored into their measure, but serves, to an extent, as a validity test against which the results of the objective indicators are compared.

More specifically, Putnam (1993: 63) defines government performance in a representative system that comprises "responsiveness to its constituents and efficiency in conducting the public's business". Policy responsiveness is defined and measured as the extent of government allocation of resources for various types of public goods and services (such as day care centers, agricultural and health spending, etc.). Administrative effectiveness or efficiency, on the other hand, is defined and measured as the extent to which a government possesses the means to conduct its internal operations effectively and promptly (such as effective budget cycle and information services). Stressing the criteria of a multifaceted evaluation of government, such as rigor, impartiality and persuasiveness, Putnam presents a 12-indicator index of government performance.[14] The Putnam measure has been replicated also in the U.S. states (Rice and Sumberg 1997). This study uses several indicators of policy process, policy innovation and policy liberalism, and, like Putnam's study, aggregates all the indicators into a single index of government performance.

Such an aggregation may be problematic both conceptually as well as empirically. That is, by aggregating the components of either attribute of government performance into a uni-dimensional index, it is assumed that responsive government is by definition also efficient and

[14] The 12 indicators are: cabinet stability, budget promptness, statistical and information services, reform legislation, legislative innovation, day care centers, family clinics, industrial policy instruments, agricultural spending capacity, health unit expenditures, housing and urban development and bureaucratic responsiveness (Putnam 1993, 67-73).

effective. This, however, need not necessarily be the case, and should be tested rather than assumed.

Jackman and Miller (1996), who reanalyzed Putnam's data on the performance of Italian regions, provide also empirical evidence that challenges the uni-dimensionality assumption of government performance. Putnam (1993) specified in advance that no more than one component be extracted from the analysis of his 12 indicators. Given this prior specification, it is obvious that his component analyses cannot be used in order to *test* the dimensionality of government performance. Jackman and Miller (1996) followed a more conventional eigenvalue cutoff of 1.0. As a result of their principal component analysis, more than one latent concept emerged from the 12 indicators of government performance. While the first factor remains the largest, only half of the factors load unambiguously on it. The general implication from these results is that the indicators "cannot be used to generate a coherent, uni-dimensional measure of institutional performance" (Jackman and Miller 1996: 640).

Additionally, using the logic of construct validity, a theoretically relevant independent variable should be interrelated with all indicators of the dependent variable in a similar fashion. In Putnam's (1993) study such an independent variable is social capital. Regressing the measure of social capital on each indicator of government performance, however, revealed that indicators of administrative effectiveness such as budget promptness and statistical services were not linked to the measure of social capital whereas the measures of housing development, health spending, day care centers, and reform innovation – the indicators of policy responsiveness – were. Similarly, Rice and Sumberg (1997) show with bivariate correlations that social capital has the strongest relationship with policy liberalism and the weakest with administrative effectiveness.

These pieces of evidence call into question the bipolar conceptualization of government performance.

2.3. SUMMARY

The literature review of government performance in the three research traditions demonstrated the non-trivial degree of difficulty in defining and quantifying (even agreeing upon) the important activities, outputs and outcomes of a democratic government. Summarizing the different contributions:

1. The students of public opinion struggle with explaining the variance in citizens' confidence in and satisfaction with government. Using citizens' satisfaction as the measure of government performance, these studies assume that there is a linear monotonous relationship between the concept and the measure, yet this is an assumption requiring empirical testing.
2. The subfield of public administration has developed a substantial body of literature on performance measurement in government. On the theoretical level these studies conceptualize government performance as comprising inputs, outputs and outcomes, yet in empirical measurement the definition of the concept is reduced to denoting administrative or organizational effectiveness.
3. The studies of democratic performance assess whether governments are doing what they are supposed to do: whether they are mobilizing and allocating resources to meet social needs. Yet, these studies pay less attention to the process by which the implementation of these allocations takes place.

Given the concern with construct validity in the case of measuring government performance with public opinion data, we are left with two different conceptualizations of

government performance: administrative performance and policy performance. These two aspects of performance are quite distinct and have been prominent within different research traditions. However, even if the different conceptualizations and measures are combined, researchers still stubbornly try to conceptualize and measure government performance in a uni-dimensional manner. The complexity and the diversity of aspects of government performance might as well be modeled.

3. ONE YARDSTIC OR MANY? MEASURING PERFORMANCE

This chapter proceeds with providing a two-dimensional definition of government performance based on the two attributes of the concept identified in the previous chapter: administrative effectiveness and policy responsiveness. It also presents an empirical test of the orthogonal definition of government performance using data from the U.S. and German local governments. The principal components analyses of different indicators of government performance suggest that two-factor solutions are optimal for both the U.S. and German cases. The two factors extracted are clearly interpretable as policy responsiveness and administrative effectiveness.

3.1 THE CONCEPTUAL BASIS FOR THE TWO-DIMENSIONAL MEASURE

The literature reviewed in the previous chapter offers two distinct conceptualizations of government performance. The public administration literature tends to define (and measure) government performance in managerial terms: in order for a government to perform well, it should be efficient and effective managerially. The studies of democratic performance define the concept of government performance in terms of outputs and substantive policies, by the extent of public goods and services provided by a government. Thus, government performance is understood both by the quality of its internal operations, and by the nature and extent of policies

it is implementing. Further, both of these definitions are based on government activities and exclude perceptions and outcomes of these activities.

Putnam (1993) combined, by assumption, these attributes into a bipolar index of government performance. The current study challenges this assumption. First, it is not obvious why different components of government performance should associate with each other. Openness and the inclusion of citizens into the decision-making process may slow down the administrative processes and paralyze the efforts to respond quickly to changing societal needs. A divided representative body may work inefficiently, while the implementation of decisions, based on the professionalism of the local bureaucracy, may be effective and efficient. Thus, it is possible that a government is effective administratively, but is a laggard in terms of problem solving and service provision. By the same token, a government may be a leader in policy-making and innovation and at the same time face considerable management and administrative problems. Hedley (1998) provides an illustrative case study of the New York State Housing Finance Agency that was considered to be "the best run independent agency in the country" (p. 254). However, it failed to meet the social and political expectation of providing adequate housing for low-income families (p. 255). Simultaneously, it is entirely possible that administrative ineffectiveness can exist without serious political problems (see Bovens, t'Hart, and Peters 2001).

Thus, a concept of government performance that considers both being responsive to social needs and being affective in the internal operations of its organization as its desirable attributes, yet recognizes the distinctiveness of these attributes would better be defined in a two-dimensional manner. Such a definition gives a more tangible substance to the concept. It moves away from the bipolar abstraction of high performance vs. low performance. Government may

perform highly in terms of its administrative effectiveness, or policy responsiveness, or both or neither. That is, government performance is defined as a combination of the levels of administrative effectiveness and policy responsiveness of a government.

Second, the dimensionality of a concept is also an empirical question. With the help of statistical scaling methods, an assortment of indicators measuring different aspect of government performance can be combined into a smaller set of variables that represent most of the information in the original set of indicators. Whether the smaller set contains one, two, three or more variables is a question of what is statistically optimal. Thus, the dimensionality need not be assumed but can be tested. A few such tests presented in the existing literature speak in favor of the dimensionality: the reanalysis of Putnam's data by Jackman and Miller (1996) was already mentioned in the previous chapter. Additionally, Soos (2001) has factor-analyzed seven performance indicators of Hungarian local governments and finds more than one factors emerging from the data, in addition to responsiveness and operational efficiency he has a separate category for spending capacity of the state grants. As one might expect, he also finds that these different dimensions are explained by different sets of independent variables.

In sum, government performance is here defined as a two-dimensional concept comprising administrative effectiveness and policy responsiveness. Administrative effectiveness captures the extent to which the internal operations of a government are conducted efficiently, promptly, and responsively. Following the previous literature, it comprises the components of effectiveness of the different management subsystems (Ingraham and Kneeler 2000, Knack 2002, Pierce et al. 2002, Putnam 1993). Policy responsiveness, on the other hand, captures the extent to which a government allocates and mobilizes resources for various types of societal

needs. It is concerned with government policy choices and outputs (Lijphart 1999, Putnam 1993, Wilensky 2002). [15]

Notice that the components of the two attributes capture explicitly government activities, rather than the effects or perceptions of these activities. On the one hand, this conceptualization attempts to avoid the fallacy of conceptual shrinking by including both process and output related attributes of the concept. On the other hand, it is trying to avoid the fallacy of blaming or crediting governments for something they did not do. For example, public perception of how government is doing may not necessarily reflect the actual government activity (see 2.1.1). Similarly, social outcomes measures conflate government activities with factor beyond government control (see 2.1.3.2).

The two dimensions of government performance can further be combined into a four-fold typology of situations. The typology serves an illustrative and theoretical purpose of grouping more homogeneous cases under one label. However, the underlying dimensions are continuous and the cutting lines only suggestive.

[15] In the language of public administration, what has been defined here as government performance may be called government *capacity* for performance, as the actual outcomes of government activities are not considered. No such differentiation is made here, as performance defined by outcomes is not operational (see 2.1.2.2) and thus adds little practical value to the conceptualization. To state it differently, definitions of concepts are integral parts of theories and should not be considered as exogenous to them (Kaplan 1964). The current study attempts to construct a definition and a measure of government performance that would allow the empirical assessment of the competing institutional and cultural explanations of differences between government activities. A conceptualization that is not amenable to such an empirical assessment does no service to the objective of the research.

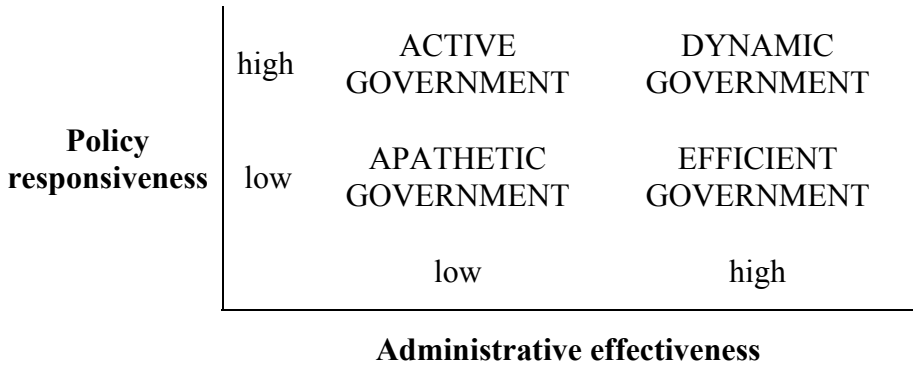

Figure 3.1 The Typology of Government Performance

The four categories presented in Figure 3.1 rest on the dimensions and are definable by their value on these dimensions. Thus, they form a mutually exclusive and collectively exhaustive set of possible combinations of policy responsiveness and administrative effectiveness. The specific labels given to each theoretical category are illustrative. They do not carry an independent definitional purpose. A *dynamic government* is an administratively effective government that is also active policy-wise. It is called dynamic due to its presumed ability to respond to the need for more efficient management and at the same time to keep up with service provision developing innovative policies. Second, an *efficient government*, high in administrative effectiveness and low in policy activism, is a government that puts more stress on managerial austerity at the expense of developing existing and implementing new policies. An *active government* stands in contrast to the efficient government: it is active in problem-solving and service provision, however, its organization is inefficiently managed. Low on both dimensions is an *apathetic government*. Such a government stands in strict contrast to the dynamic government: while the latter is characterized by flexibility, the former is characterized

by inertia: it is merely responding in its habitual way to inherently new structural, administrative and policy challenges.

The purpose of providing the two-dimensions and four types of governments has explicitly been to construct an operational definition for the dependent variable. That is, the task that follows this conceptualization amounts to *explaining* why certain governments appear active, dynamic, apathetic or efficient as defined here. No normative claim is made about which government is "better" than another. Neither is the purpose to make an empirical claim about which type of government leads to what kinds of outcomes, i.e. to consider the dimensions as independent variables. This exercise would constitute a relevant and interesting, but a quite separate research project beyond the aspirations of the current study. The added value of the constructed typology for the current study is to facilitate comparison between different types of governmental performance. A case from each type of government performance is selected for the qualitative analyses presented in Chapter 5. When performing the case studies, the typology helps to discover significant characteristics that are logically independent of the criteria defining the types but empirically associated with them.

3.2 GOVERNMENT PERFORMANCE IN THE U.S. AND GERMANY

The measurement of the various components of government performance follows Putnam's (1993) study adjusting the indicators to the country contexts. Statistical scaling methods are then used to test whether and how well the indicators group to form two distinct latent concepts. The analyses are presented separately for each country, as the indicators used are country-specific.

3.2.1 The Attribute of Administrative Effectiveness

Administrate effectiveness was defined as comprising the efficiency, promptness and effectiveness of the internal managerial operations of a government. Putnam used indicators such as budget promptness and statistical services to capture this aspect of government performance. In the context of the U.S., the Government Performance Project (GPP) has evaluated the management capacity of the 35 largest U.S. cities. In addition to financial management and information technology management the study also included an evaluation of the human resources management, capital management, and managing for results. As the management subsystems represent the core functions of any government, they carry considerable face validity as measures of administrative effectiveness. The list of criteria, data in the form of "grade reports", summary tables of the results for each management subsystem and criteria are presented in Barrett and Greene (2000). In most general terms, by stressing the capacity and sustainability of the management systems, the criteria concentrate on long-time perspective in management, flexibility, innovation, adaptation, and communication with legislators and citizens. The respective grades from the city grade report of 2000 are transformed into numerical values ranging from 1 (corresponding to "F") to 12 (corresponding to "A") for each management subsystem.[16]

Several indicators of administrative effectiveness are also employed for the German cases. These capture the extent to which governments have implemented measures of enhancing the effectiveness and efficiency of different management subsystems: financial management,

[16] Ammar, Duncombe, and Wright (2001) and Ammar et al. (2001) have re-evaluated GPP data on city government capital management and financial management capacity using the methodology of fuzzy rule-based systems (FRBS). The correlation between their final scores and GPP grades are .670 for capital management and .671 for financial management, both correlations significant at .000 level. This result increases the confidence in the reliability of the grades to a certain extent. As, FRBS rankings are not available for all management subsystems, grades have been used in the analyses presented in this chapter.

human resources management, results oriented management, and information sharing with the legislature. The measures are based on the survey conducted by the German Association of Cities (GAC) on three different time-periods: 1996, 1998, and 2000. The data cover four management functions, each of which contains several subcomponents with information about whether or not a government is employing certain management techniques for enhancing the efficiency and effectiveness in that management function. Thus, the score for financial management captures whether a government uses cost-benefit analysis, accrual budgeting, budgeteering, and decentralized resource responsibility. The score for human resources management captures whether a government has implemented personnel training, organization development and personnel development. The results oriented management score contains information about whether a government uses controlling, quality management and management for results. The information sharing score notes whether a government employs measures of enhancing communication with citizens and measures of improving council-management relations.[17] For each subcomponent, the scores are averaged over the three time-points and an additive scale is formed to create a composite measure for each management subsystem.

3.2.2 The Attribute of Policy Responsiveness

The second attribute of government performance – policy responsiveness – encompasses the extent to which governments allocate resources for public goods and services. Measuring this dimension is a complex enterprise, since ideally a measure of policy responsiveness should be

[17] Information about budgeteering, decentralized resource responsibility (financial management), personnel development (human resources management), management for results (results oriented management) are coded 1 if the measure is employed and 0 otherwise. All other subcomponents are coded by a scale: 1=the measure has been fully implemented, .75=the measure is partially implemented, .5=the measure is under planning with high priority, .25=the measure is under planning, 0=the measure has neither been implemented nor planned.

unaffected by differences in the substantive priorities between governments.[18] Putnam (1993) has measured policy performance with quantities of policy outputs, justifying this approach on the grounds of the most similar systems design, i.e. by the fact that all the Italian regions had to counter similar policy issues. A similar justification can also be made when comparing the U.S. local governments: all cities are facing the tasks of lowering poverty, providing of public housing, increasing public safety, attracting businesses to increase the tax base etc. The German local governments are also facing similar challenges of deteriorating schoolhouses, providing adult education, public works and adequate day-care (Gunlicks 1986). Additionally, the urgency of certain problems still varying from city to city can be controlled for demographic indicators in the subsequent relational analyses.

Probably the best-established comparative measure of policy choices is the budget: allocations to different policy areas are matters of distribution where competing interests, needs and requirements of societal groups are balanced. In the U.S., cities have substantial degree of freedom in shaping their expenditures and financing (see Sbragia 1996); thus, it is plausible to assume that the budget reflects the extent of responsiveness of city officials to societal demands. Expenditure on community development and housing serves the purpose of capturing redistributive policies, and expenditure on police and fire protection measures the allocational policy responsiveness. All cities included in the analysis are responsible for these policy areas,

[18] Additionally, on the theoretical level responsiveness would require measuring whether a government provides public goods at an optimal level. This causes an undeniable difficulty in operationalization, which is why authors have resorted to measuring simply the quantities of government policy outputs, and in some cases compared these to the "preferred levels of policy outputs" inferred from various socio-economic characteristics of a jurisdiction (see Bergstrom and Goodman 1973).

decreasing the usual concern when using city government expenditures for comparative purposes about the possible bias introduced by differences in functional requirements.[19]

Additionally, Putnam (1993) measured government sophistication in the area of economic and industrial development by noting an array of potential tools of economic policy a government is using. There are also several activities available for the U.S. local governments to promote local development. These include (1) financial assistance to businesses (loans and grants), (2) tax incentives, (3) small and minority business assistance, (4) job training, (5) international business assistance, (6) public/private partnerships, and (7) downtown development. Further, local governments can also apply to the (8) empowerment zones' program funded by the federal government.[20] The measure for economic development is based on how many of the economic policy tools from the list above were actually deployed by the city governments. The measure is not exhaustive in terms of covering all possible areas of activity available for municipalities. However, the multi-item scale covers a broad range of policy instruments, increasing the confidence in its validity and reliability.[21]

A further component of the policy responsiveness attribute is the creative ability of governments to meet pressing needs in terms of innovative legislative ideas (Putnam 1993, Rice and Sumberg 1997). The U.S. Conference of Mayors has developed a database for successful

[19] The expenditure measures are standardized by population. Further, several of the cities considered in the analysis have merged municipal and county government activities. There is the danger that the expenditures measures are effectively capturing the consolidated form of government rather than policy choices by governments. In order to control for such a possibility, the expenditure of those local governments that perform county functions is weighted by the difference between the average spending on an item by city governments and the average spending on the same item by county/city governments. The data come from U.S. Bureau of Census, Annual Survey of Government Finances 1998-1999, available at http://www.census.gov/prod/www/abs/govern.html (March 11, 2003).

[20] See Wolman and Goldsmith (1992) who identify "grantsmanship" – the ability of local governments to attract, through its activities, grant funds – as an important policy tool for enhancing local development.

[21] The information for the first seven items of the measure was obtained from city websites. Additional inquiries were made in the case the information could not be coded from the websites. The information about the designated development zones was obtained from the U.S. Department of Housing and Urban Development at http://www.hud.gov/offices/cpd (March 11, 2003).

local level policy initiatives or best practices. These are policy innovations practiced in a city that have had a considerable positive impact on city development and improved citizen well-being. The projects reach across all local government affairs. The number of best practices listed for one city in that database is considered as a measure of city policy innovation.[22] Thus, there are altogether four indicators of policy responsiveness for the U.S. city governments: community development and public safety spending, economic development policy tools and the extent of policy innovation.

Similarly to the U.S. cases, for the German cities the output measures in those policy areas are chosen in which city governments have responsibility of policy-making. Gunlicks (1986) reports in his comprehensive survey of German local governments that the most common areas of city government activism and innovation are cultural activities, nursery and elementary schools, sports and recreation facilities, and economic promotion activities. These are the kinds of local public goods that governments provide from their own democratic voting procedures. Three indicators of policy responsiveness for German city governments were selected: number of kindergarten places per births, subsidy for local theater per person, and capital expenditure on schools per person.[23]

3.2.3 The Empirical Scaling of the Various Indicators

Factor analysis serves as a useful statistical tool for the empirical scaling of multiple indicators into latent variables (Kim and Mueller 1978). This method also serves as a test of the empirical consistency of the two dimensions of government performance. The expectation here is that the

[22] The database is available at http://www.usmayors.org/uscm/best_practices/search.asp (March 11, 2003). It contains best practices of city governments since 1997. The number of best practices used for each city is the number of the innovative policies listed in the database as of October, 2002.

[23] All these indicators are coded from German Association of Cities (1999; hereafter GAC).

various indicators of administrative effectiveness form a distinct latent concept from the indicators of policy responsiveness for both data sets. The test of sampling adequacy, the KMO statistic, is .643 for the U.S. sample and .667 for the German one. Considering the relatively small sample sizes, these statistics are reasonably high, indicating that there are likely to be patterns of correlations in the data and that a factor analysis is an appropriate technique to use (Kim and Mueller 1978). As presented in Table 3.2.1, two distinct factors indeed emerged from both the U.S and the German data set. The orthogonal rotation of factors was used to obtain the final factor loadings presented in Table 3.2.1.[24]

[24] Estimates from oblique rotations were very similar, suggesting that the two factors are reasonably treated as orthogonal. Further, other extraction methods such as maximum likelihood, principal axis factoring and alpha factoring were also used. The results of these analyses did not differ significantly from the ones presented in Table 3.2.1, and with some techniques the factor loadings were even higher.

Table 3.2.1 Principal Component Analysis of Performance Indicators

The U.S sample			The German sample		
Indicator	1	2	Indicator	1	2
Financial management	**.852**	-.020	Financial management	**.789**	-.001
IT management	**.627**	.442	Human resources management	**.607**	-.102
Human resources management	**.794**	-.127	Managing for results	**.876**	-.139
Capital management	**.785**	.113	Information sharing	**.816**	.132
Managing for results	**.872**	-.062			
Community development	-.025	**.703**	Kindergarten places	-.005	**.671**
Public safety	-.351	**.613**	Public theaters	-.005	**.734**
Economic development	.275	**.698**	Investment on schools	.002	**.652**
Policy innovation	.014	**.516**			
Eigenvalue	3.7	1.8	Eigenvalue	2.5	1.4
Variance explained (%)	60		Variance explained (%)	56	
N	35		N	85	

Note: Extraction Method: Principal Component Analysis; Rotation Method: Varimax with Kaiser Normalization.

The variables measuring various forms of administrative efficiency and management capacity load high on the first factor for both countries. The extracted components reproduce 60% of the variance in the original indicators for the U.S. analysis and 56% for the German analysis. The indicators that were expected to contribute to the policy responsiveness dimension of government performance also perform accordingly. The logical inference from these empirical results is that governments that score high on one dimension do not necessarily score high on the other one. That is, governments prioritizing the effectiveness of their internal operations do not necessarily prioritize the allocation of public goods and services on a high level.

This result is further illustrated in Figures 3.2.1 and 3.2.2. Factor analysis allows us to represent each factor by a scale measure based on the empirical relationship among the indicators (Kim and Mueller 1978). These scores can then be used to determine the position of each case included in the study on the two dimensions and place the cases into the matrix of government performance presented on Figures 3.2.1 and 3.2.2. The factor scores are standardized variables with a mean of 0 and standard deviation of 1. The cutting lines are obviously somewhat arbitrary, but it is logical to assume that a negative factor score on a dimension indicates lower performance on that dimension and a positive factors score on a dimension indicates higher performance on that dimension. Figure 3.2.1 plots the relative position of the U.S. cities included in the study on the two dimensions; Figure 3.2.2 presents a similar matrix for the German cases.[25] These factor scores are also saved as measures of the dependent variable for the subsequent analyses.

[25] Due to the commitment made to the German Association of Cities the names of the cities on the figure cannot be made public.

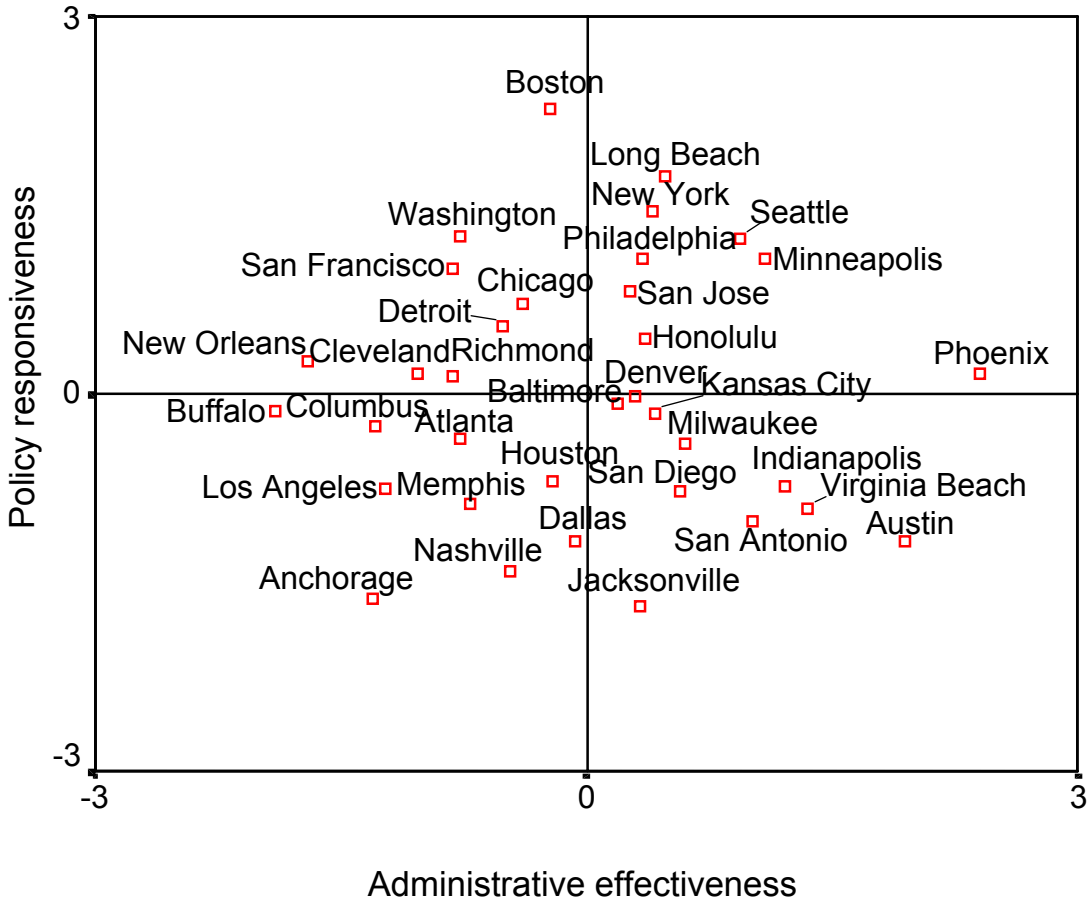

Figure 3.2.1 The Position of the U.S. Governments on the Two Dimensions

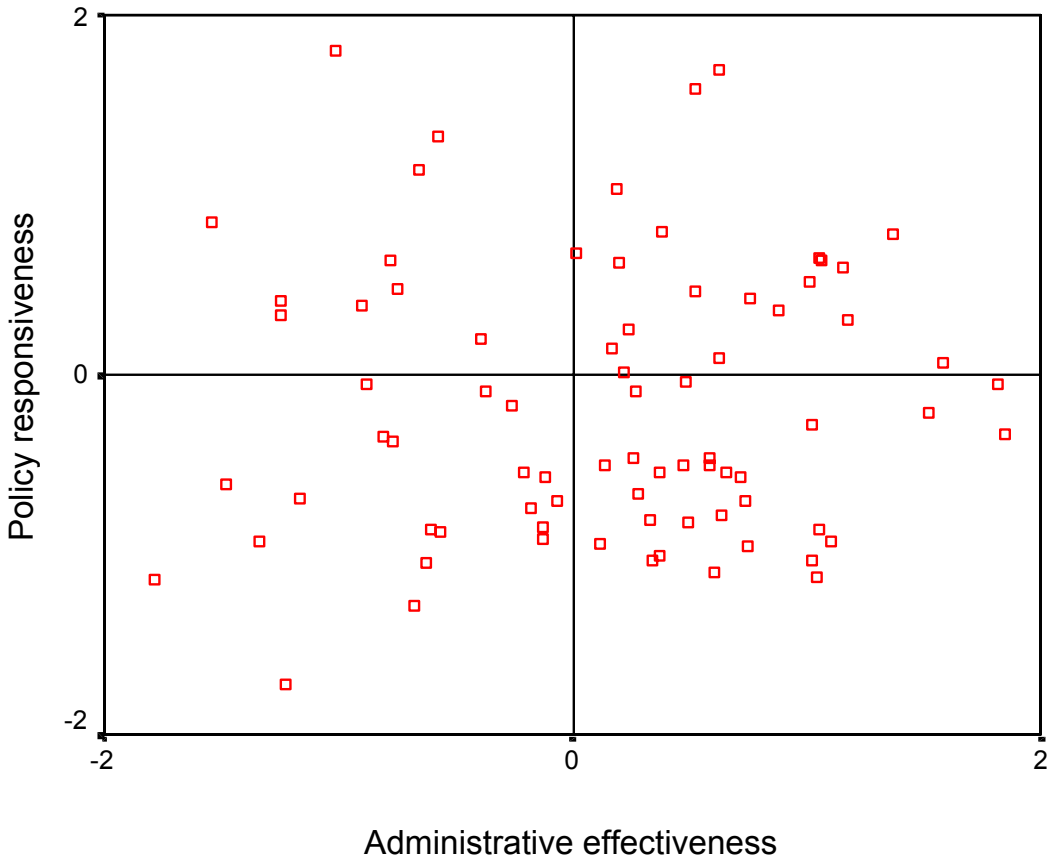

Figure 3.2.2 The Positions of the German Governments on the Two Dimensions

3.3 DISCUSSION AND CONCLUSION

Defining government performance on two dimensions – administrative effectiveness and policy responsiveness – is an empirically justified way to represent the level of local government performance both in the U.S. and Germany. The theoretically proposed dimensionality of government performance is supported by the empirical analyses. Furthermore, data from two rather different settings provide similar and consistent results. The measurement frailties, differences in local priorities, and multiple potential influences on any single government activity within both countries, posed a great challenge to the expectation of coherence of the emerging dimensions even within one country. Thus, the demonstrated consistency in scaling both in the U.S. and Germany increases the confidence in the viability of the two-dimensional conceptualization of government performance even more. The results do not present idiosyncratic findings within one national setting. Rather, they provide a convincing argument for considering these dimensions as an informative way of presenting the level of government performance in even more large-scale cross national comparisons.

As the factor loadings demonstrate and Figures 3.2.1 and 3.2.2 graphically illustrate, governments that are scoring high on one dimension are not necessarily scoring high on the other one. That is, governments prioritizing the effectiveness of their internal operations do not necessarily prioritize the allocation of public goods and services on a high level. Moreover, there are considerable number of governments in both countries that have high scores on both dimensions (the dynamic governments), which undermines the potential criticism that the high levels of public spending may be an indication of wastefulness and financial mismanagement. Similarly, the fact that there are governments that have low scores on both dimensions

demonstrates that low levels of public spending do not necessarily indicate the existence of a sound and effective management system.

The results further indicate that studies using only one of these dimensions as their definition of government performance are effectively excluding a relevant attribute of the concept, as the different indicators of government performance used in the existing literature do not necessarily measure the same latent variable. Also, those studies that have used indicators measuring both attributes, but combined these into a single index may have lost some useful information for the explanatory relationships explored.

The purpose here has not just been developing a concept. The purpose has also been empirical – the measurement of the dependent variable. The two-fold conceptualization of government performance allows a further and more detailed analysis of the possible causal mechanisms behind these two attributes. That is, the possible independent variables, whether institutional, cultural or social, influencing government performance may have different effects on the different dimensions of this concept.

4. SOCIAL CAPITAL OR INSTITUTIONS?

The most powerful explanatory variable for government performance put forward in the political science literature is social capital (Knack 2002, Pierce et al. 2000, Putnam et al. 1983, Putnam 1993, Rice and Sumberg 1997). Yet if the variance in the performance of governments occurs in two different dimensions, how effective is social capital in explaining either dimension? If social capital has the effect of facilitating collective action, how does this lead to an effective and responsive government? And if government performance is an outcome that depends on effective collective action, what is the role of institutional factors that transform individual incentives towards cooperation or non-cooperation? This chapter tries to answer these questions. In doing so it attempts to contribute to our understanding of the two important puzzles that the literature to date has left unanswered: the causal mechanism linking social capital to government performance, and the role of institutions as compared to the cultural variables in explaining performance. The chapter first develops a theoretical argument in line with the theories of cooperation that link social capital to policy responsiveness and institutional structure to administrative effectiveness. Then the chapter provides evidence from quantitative analyses to support these arguments.

4.1. COOPERATION AND GOVERNMENT PERFORMANCE

Government performance, both administrative effectiveness and policy responsiveness, is easily depicted as collective output. That is, cooperation of many individuals is necessary in order to achieve a responsive and effective government. However, the problem of cooperation that potentially hinders government policy responsiveness is different from the problem of cooperation that may occur in providing effective administration. The set of actors who face the challenge of cooperation and the institutional structure in which they operate are different. Demanding for, and monitoring the implementation of public goods and services presents a collective action problem to the members of society. In this situation the members of society in a democratic system usually operate without any central authority that would be able to induce cooperation. Thus, the incentive to cooperate must come from social resources. Social capital serves as such a resource for overcoming the collective action problem among the members of society.

Achieving effective administration, however, involves a different set of actors and relationships – it involves bureaucrats and politicians in a principal-agent framework. It is fair to assume that bureaucrats themselves do not necessarily prefer efficient and effective management (contrary to the situation of the public goods provision described above, where most members of society would prefer the collective output but may lack the incentive to contribute to it). Bureaucrats as agents should act in accord with the preferences of their principals: politicians or senior administrators. Thus, it becomes the principals' problem to secure cooperation form the agent. Here the incentive to cooperate is induced most effectively by a favorable institutional structure or a central authority. The following sections will explain both of these propositions in more detail.

4.1.1 The Social Dilemma of Cooperation and Policy Responsiveness

4.1.1.1 Cooperation in the production of a collective good

Policy responsiveness has been defined in this study as the extent to which a government allocates and mobilizes resources for various types of public goods and services. The characteristics of public goods are that they are non-excludable, i.e. anyone can enjoy them whether they have paid for their provision or not; and they are jointly supplied, i.e. one person's use does not diminish the supply available for others (see Ordeshook 1986). These characteristics make it almost impossible for public goods and services to be provided by private markets. Thus, they may remain undersupplied relative to the levels that the members of society would prefer. The obvious solution to this problem is the public production of public goods and services. Yet public provision does not just happen. Political pressure must be mobilized to encourage the institutions of government to make this provision a matter of public policy. Bills must be passed, appropriations have to be made, and government agencies need to be created. That is, political actors must be persuaded to act. Yet if the provision of a public good or service distributes some benefit widely, and if the enjoyment of that good or service is unrelated to whether a contribution has been made towards mobilizing politicians to act, then the immediate problem of free riding occurs. If many public services are like public goods, then their supply depends on individuals and groups successfully engaging in collective action to get the government to provide them. The public supply of public goods, thus, becomes a problem of collective action.

Collective action requires multi-person cooperation. The students of cooperation have long sought to explain what makes cooperation in societies possible. Most social situations, including the provision of public goods can be depicted as a classical Prisoner's Dilemma game.

The dilemma in this game rises from the fact that although players would receive (collectively) the highest payoff if they cooperated, the highest *individual* payoff for either player would result from his or her defection given that the other player cooperates. This, in turn, creates an incentive to free ride. On the other hand, either player's payoff would be the lowest if he or she alone cooperated while the other defected. The safest strategy in this situation for both players is to always defect, no matter what the other is doing, as this is the only way to avoid the lowest payoff. According to this game, then, cooperation is not possible.

The evolution of voluntary cooperation in society, however, is possible, because societies consist of a series of repeated or continuous encounters, not one-shot plays of the game as depicted above. In a series of experiments Axelrod (1984) has shown, and others have confirmed (Hardin 1982, Olson 1971, Taylor 1987), that in repeated Prisoner's Dilemma games "tit-for-tat" is the strongest strategy. Tit-for-tat strategy essentially means: cooperate the first time, the next time do whatever the other player did in the last time. That is, cooperate conditionally after the first play of the game. "The shadow of the future" – the prospect of the reward from cooperation, not just now but stretching out over the long term – make cooperative strategies very attractive.

4.1.1.2 Social capital and cooperation

The observation that each member of society is playing tit-for-tat strategy in the repeated play of Prisoner's Dilemma is very close to the claim that a norm of reciprocity exists in this society.[26] That is, by virtue of being embedded in an ongoing social relationship, the members of society find it in their interest to cooperate (Hardin 1982, Taylor 1987). This is essentially the argument of the authors who have embedded social capital in a rational choice framework (Granovetter

[26] It should be noted that for securing the provision of public goods, it is not always necessary for each member to cooperate. Usually it is enough that some critical mass is mobilized for collective action. This, however, should not undermine the theoretical argument presented here.

1985, Coleman 1988, see also Putnam 1993). Indeed, Coleman (1990) even defined social capital functionally – that is, social capital is *whatever* facilitates individual or collective actions. Defining social capital functionally, however, makes it impossible to distinguish between what it is and what it does (Edwards and Foley 1997). Also, when defined functionally, social capital is very context dependent: the measurement of the concept does not travel, as what constitutes social capital in one setting may not apply in another setting. This has prompted researchers to distill the core features of social capital and to find context-independent aspects of the concept that can be operationalized and measured in any situation. Such a general definition of social capital includes trust, norms of reciprocity, and networks of civic engagement (Putnam 1993: 170-174, see also Newton 1997). These components of social capital are seen as mutually reinforcing and having the effect of facilitating cooperation.

Note that the concept of social capital includes also trust and social interaction in addition to the norms of reciprocity that the theories of cooperation considered sufficient for the tit-for-tat strategy to dominate. However, note also that tit-for-tat strategy has a downside: if the relationship has a bad start – with one or more players not cooperating – then tit-for-that would echo this misfortune. That is, reciprocity would work on the opposite direction as well: as mutual punishment (Dixit and Nalebuff 1991). Trust and social networks serve the purpose of preventing defection and securing the virtuous circle of mutual cooperation (Scholz and Lubell 1998). Social capital is an ecologic characteristic. However, it stems from the individual behavior. The proportion of citizens that replicate nice, reciprocal strategies provides a rough indicator of a society's level of social capital (Lubell and Scholz 2001).

The causal argument that social capital helps to overcome problems of cooperation and collective action can easily be applied to explaining the level of policy responsiveness of a

government. In order for public goods and services to be provided, citizens need to cooperate to identify, adopt and implement effective policies for the community. All members of the community are interested in the provision of effective policies. At the same time, every member of the society is tempted to defect from the social cooperation in demanding public policies from government and monitoring the implementation of these policies, as this way he or she would secure the highest individual payoff (benefit and no cost). The level of trust in the community and the repeated social interaction between its members allows for the norms of reciprocal cooperation to prevail, because the prospects of ongoing, long-term relationships may be too valuable to jeopardize by cheating at any one opportunity. Trust reduces the level of suspicion that others will not cooperate and decreases the temptation to defect. Consequently, higher levels of social capital within a society enable the societal mobilization necessary for the provision of public goods and services. In polities that are low in social capital the collective action problem is not overcome and the public goods remain undersupplied, or supplied according to the interests of special groups that are more organized and able to pressure governments to respond to their interests (Olson 1971).

Some empirical studies have provided support for this linkage. It has been pointed out that social capital can become a useful basis for policy initiatives (Coleman 1988, Montgomery 2000, Sandefur and Laumann 1998, Verba, Scholzman, and Brady 1995). Social capital also has been associated with greater potential for the co-production of public goods and services in areas such as public safety, public education, and environmental protection (Schneider 1987). Offe and Fuchs (2002) argue that trust helps to overcome free riding that causes the undersupply of public goods.

4.1.1.3 A note on causality

The direction of causality between social capital and government performance has remained an issue of debate in the current literature. The theoretical argument presented above implies the direction of causality form social capital to government policy responsiveness. But it has also been argued that the causality may run just the opposite. That is, government policies may promote trust and reciprocity in society (Levi 1998, Rothstein 2001, Stolle 2003, Stolle and Rothstein 2003, Tarrow 1996), or even that these same government activities may kill social capital (Berman 1997a, 1997b).

The empirical research into the question of the direction of causality has not provided any conclusive answer yet, but the studies claiming that social capital is the cause of higher levels of government performance (however defined) clearly outnumbers the studies that claim the opposite. Only a couple of studies have performed empirical tests to the argument that government activities influence the level of social capital. Rothstein (2001) argues this in the context of the Swedish welfare state. He presents a study of one case and with the help of survey data and historical analysis he shows that the level of social capital has not declined in Sweden across time. He further speculates that the institutionalization of the universal welfare state is responsible for the sustained level of social capital. Of course, with one case, so many alternative hypotheses remain uncontrolled and the evidence provided remains unconvincing. Similarly, Rothstein and Stolle (2002) develop a theoretical argument according to which efficient and impartial government agencies influence the level of generalized trust in society. They are able to show that citizens develop different levels of trust dependent on their institutional experiences. But due to the static design of their research, they are not able to provide evidence about the causal arrow of the relationship. Even if one finds it convincing that government activity causes

social capital to thrive or whither, a further question of what influences government activities and choices immediately occurs. No theoretical or empirical treatment linking social capital and government performance has developed an argument that would incorporate an answer to this subsequent question.

On the other hand, several empirical studies have provided evidence to the argument that the nature of government activities results from the level of social capital in society. Knack and Keefer (1997) show, with the help of two stage least squares, i.e. controlling for the endogeneity of social capital, that economic performance is influenced by social capital not the other way round. Further, Rice and Feldman (1997) demonstrate that the level of trust and civic engagement of contemporary Americans with ancestral ties to European countries correlate highly with the level of trust and civic engagement in those European countries. This result strongly suggests that social capital is enduring and exogenous to government activity. Scholz and Lubell (1998) demonstrate that generalized trust increases tax compliance when controlling for internalized sense of duty, fear of getting caught, selection bias, and potential endogeneity. The implication is, again, that social capital, not government activity leads to cooperation in compliance. Whitely (1999) shows that individual values and psychological variables together with socialization processes within family and early adulthood experiences play the most important role in creating social capital. Further, the formal theoretical literature also argues that the cognitive mechanisms for solving social dilemmas are spawn during the genetic evolution of cognitive structures (Cosmides and Tooby 1994, Frank 1988), shaped by the historical experience of a given society and transmitted through socialization (Boyd and Richerson 1985, Coleman 1990, Hardin 1991, Lubell and Scholz 2001), much the way Putnam (1993) described in his study on Italian regions.

The question of the direction of causality remains unresolved also in this study, and it is probably fair to argue that the direction of causality is reciprocal. At the same time, it is also not the objective of the current study to solve the complicated issue of causality. The theoretical explanation provided for the relationship between social capital and government policy responsiveness implies the direction of causality from the former to the latter. Indeed, the direction of causality also stems from the research question: the purpose is to explain government performance. However, the possibility of a reverse causality is fully recognized and in the empirical analyses, every effort is made to minimize the potential endogeneity problem.

4.1.2 Leadership and Administrative Effectiveness

4.1.2.1 Politicians controlling bureaucrats and the role of a manager

The problem of cooperation and coordination within bureaucracy that prevents efficient and effective administration (including such operations as budget promptness, statistical services, accuracy of revenue forecast, existence of long-term planning etc.) is not equivalent to the problem of cooperation between citizens. Administrative effectiveness is an output reflecting the behavior of bureaus. Such a behavior by definition occurs in the context of an organization whose structure and objectives are in important respects imposed by outside actors (Bendor and Moe 1985, Moe 1984). An explanation of administrative effectiveness therefore has to include these institutional contingencies. The explanatory argument of administrative effectiveness presented in this section is embedded in theories of principal-agent and leadership.

Administrative effectiveness results from bureaucratic cooperation: collective input is necessary to implement long-term planning, a performance measurement system, centralized statistical services etc. The objective of administrative effectiveness is the improvement of

efficiency[27] in the production process.[28] In order for the efficiency to increase, someone has to have an incentive for it. Given that most of the latest administrative reform efforts have been driven by financial concerns in the public sector (Pollitt and Bouckaert 2000), it is fair to assume that due to the increasing budget constraint politicians have the collective incentive to optimize the production process, or reduce the bureaucratic slack and secure more resources for programmatic purposes. The actual reduction of slack, however, depends on the behavior of bureaucrats. Politicians, thus, face the problem of persuading bureaucrats to cooperate in reducing slack and controlling their behavior. Put differently, bureaucrats and politicians are engaged in a principal-agent relationship, where the former serve as the agents of the latter.

Yet bureaucrats may be unwilling to reduce slack: many rational choice theories of bureaucracy consider maximizing slack (or discretionary budget) as the motivational factor behind bureaucratic behavior (Niskanen 1975). Given such an incentive, politicians face the problem of inducing cooperation from bureaucrats. However, due to the informational asymmetries between the principals and agents (McCubbins, Noll, and Weingast 1987, 1989), politicians are disadvantaged in observing and accurately interpreting the agent's actions and consequently also the amount of slack. Verification is costly for the principal when an agent can observe some outcome more easily than the principal and may benefit from misrepresenting the outcome (Lynn, Heinrich, and Hill 2001). Such incentive incompatibility problems between principals and agents can be resolved by implementing institutional control mechanisms to ensure that the preferences of the principal are followed. One possibility of control is to include procedural restrictions inside the legislation (McCubbins, Noll and Weingast 1987, 1989). Such

[27] "Efficiency" is here used as an abstraction and should not necessarily be understood in monetary terms.

[28] Recall from Chapter 2 that enhancing managerial capacity – which essentially is the definition of administrative effectiveness here – is precisely the same: to improve the bureaucratic production process.

restrictions, however, limit the administrators' ability to coordinate people and other resources to achieve legitimate public objectives and as a consequence reduce efficiency (Bawn 1995, Meyer and Rowan 1977). Politicians can also monitor bureaucrats' behavior *ex post* (McCubbins and Schwartz 1984). The smaller the number of agents the less costly would be the monitoring (Moe 1984). Miller (1992) argues that delegation of administrative authority to more than one subordinate entity often leads to incoherent behavior. This danger is exacerbated when subordinates have specialized (or different) functions. Systems that confer institutionally strong powers to a chief administrative officer or manager have the effect of reducing the number of agents to one. Thus, a manager serves as a low cost alternative to the costly monitoring.

Moreover, from the bureaucrats' point of view, the more principals they have the more difficult will it be to coordinate between conflicting political objectives leading to less cohesion in management. Multiple principals and multiple tasks with unclear outcomes confound principal-agent relationships (Moe 1984). Administrative power concentration into the institution of manager, however, would have the effect of reducing the number of principals (for bureaucrats) and reduce the pressure of compromising between conflicting demands that bureaucrats with multiple principals necessarily face. With strong control of administrative apparatus, single principals can "overrule" bureaucrats at any time (Tsebelis 2002) reducing the need to implement rigid administrative procedures.

The managers, of course, are also not necessarily passive and neutral agents, but players with their own interests and incentives. The behavior of managers is best evaluated by assuming that they maximize their personal gain from increased administrative effectiveness. That gain may be monetary, but perhaps more importantly, it has to do with building a reputation (Calvert

1987, Moe 1984).[29] Manager here becomes an equivalent to leader in cooperation and coordination theories. Kreps (1990) and Miller (1992) argue that leaders in organizations exist to resolve incentive conflicts. The role of the manager or a leader has been shown to be especially important in initiating cooperation (Bianco and Bates 1990). A manager who can reward and punish agents for cooperation or defection can effectively change the payoff structure of the agents and induce cooperation. Further, in a classic work on the nature of managerial work, Mintzberg (1973: 5), lists six basic reasons why organizations need managers: (1) to ensure that his organization serves its basic purpose; (2) to design and maintain the stability of his organization's operations; (3) to take charge of his organization's strategy-making system, and therein adapt his organization in a controlled way to its changing environment; (4) to ensure that his organization serves the ends of those persons who control it; (5) to serve as the key informational link between his organization and its environment; (6) as formal authority, to be responsible for the operating of his organization's status system. All of these six points are concerned with effective monitoring and alignment of incentives. Also, Schwarz and Tomz (1997) show in their formal analysis that centralized institutions curtail free riding and increase efficiency more effectively than decentralized institutions especially in large organizations such as governments (see also Bendor and Mookherjee 1987). All these theoretical and empirical studies provide support for the argument that a manager has a positive effect on administrative effectiveness by inducing cooperation from bureaucrats.

[29] Consider, for example, Frank Fairbanks, the Manager of the City of Phoenix, who has built a world-wide reputation as an effective leader and the City of Phoenix has earned a number of national and international awards for its administrative efficiency and effectiveness (see Kemp 1999).

4.1.2.2 Administrative coordination and the role of manager

Alternatively, one can argue that increasing administrative effectiveness is better described as not a problem of cooperation but a problem of coordination (Foss 1999). The argument about the social dilemma of coordination relaxes the motivational assumption of a budget-maximizing bureaucrat that many find objectionable. More specifically, the problem of cooperation manifests itself in a situation where an equilibrium strategy is Pareto superior (e.g. the Prisoner's Dilemma). Coordination problem, however, occurs when all equilibriums are Pareto optimal, but the main challenge is to coordinate on one of these equilibriums. For example, there are two possible equilibriums in the smooth flow of traffic: driving either on the right or on the left side of the road. On either of these equilibrium drivers have no incentive to unilaterally change their behavior and put themselves in danger of being caught in an accident. Thus, contrary to non-cooperative games explained above, there is no conflict in a coordination game. However there is still a social dilemma: the different players need to agree on which of these equilibrium to choose, i.e. which side of the road to drive on. To solve this problem certain coordination mechanisms (e.g. traffic regulations, simple communication etc.) are necessary. Such coordination problems may easily occur in organizations where there are interdependencies between people's actions and where some concerted action needs to be undertaken, for example, in connection with a new initiative enhancing administrative efficiency.

The manager helps the coordination process by generating common knowledge about the new strategic initiative. An event is common knowledge among a group of players if each player knows it, each one knows that the other players know it, each player knows that other players know that the other players know it and so on (Aumann 1976, Lewis 1969). Having such common knowledge about the efficiency enhancing strategy (e.g. a performance measurement

system) in turn produces a level of commitment that cannot be easily produced through communicating individually (Foss 1999). In other words, it may make a difference that Paul knows that Peter knows that Paul knows etc. that performance measurement system is being implemented, rather than simply having Paul and Peter knowing about the initiative but not knowing that the other knows, etc. In sum, the argument about the positive effect of the manager on the level of administrative effectiveness does not really depend on the assumption about opportunistic bureaucratic behavior.

The motivational assumption of *politicians* put forward earlier can also be disputed. Some theoretical work in political science has argued that politicians are not necessarily motivated by productive efficiency as here assumed (Moe 1984, 1995, Scholz 1991), at least not in the individual basis. Electoral considerations prompt their concern for constituency service, pleasing interest groups, rewarding contributors and so on (Fiorina 1974, Mayhew 1974). Thus, politicians face the problem of moral hazard among themselves in supporting administrative effectiveness. Consequently, while a single political executive would have power similar to the manager to overrule bureaucrats, his or her electoral incentive makes it more difficult to adhere to a stable and effective administrative apparatus. Alesina, Cohen, and Roubini (1992, 1997) provide a similar argument about the "political business cycle", i.e. increased public spending before the elections, and its implications to effective financial management. Politically neutral manager, on the other hand, would create a more stable administrative system, less vulnerable to electoral cycles.[30]

One might also argue that the change in the motivational assumption of politicians contradicts entirely with their willingness to support an institution of manager. The literature on

[30] That the commitment to effectiveness is less credible in the case of political or politicized organizations than in the case of independent agencies has also been argued in the context of regulatory policy in the EU (Majone 1996a, 1996b).

the role of a "political entrepreneur" in solving collective action problems (Taylor 1987, Wagner 1966, see also Olson 1971), however, argues that a group facing such a problem might find it in their interest to constrain free riding by their members and on these grounds support "hiring" a political entrepreneur whose incentives are known to be different from their own (Miller 2000, Schelling 1960). Note also that such an argument has probabilistic not deterministic implications: a manager may or may not be institutionalized by a specific government. Yet once the institutionalization has taken place, it is supposed to have a positive effect on efficiency.

In sum, an institutionalized bureaucratic leadership in the form of a politically neutral manager is expected to enhance the cooperation and/or coordination necessary to achieve administrative effectiveness. Some empirical evidence suggests this argument to be valid. Donahue et al. (2000) found that city governments that had a position of a professional chief administrative officer were more effective in the field of human resource management. Heinrich and Lynn (2000b) found in the case of job training programs that increased levels of coordination, centralization of authority, and a strong role of manager vis-à-vis the political executive increased program effectiveness. Feiock and Kim (2000) demonstrated, in the context of city governments, that electoral incentives make it less credible for a political executive to adhere to strategic plan as an example of effectiveness commitment.

4.1.2.3 The effect of social capital on administrative effectiveness

As Putnam (1993) developed his argument about the linkage between social capital and a uni-dimensional concept of government performance, he was not able to specify *how* trusting people create more effective and responsive government (Boix and Posner 1998, Levi 1996, Rothstein and Stolle 2002). Indeed, according to Putnam's assumption that social capital is shared by masses and bureaucratic elites, social capital might just as well influence the level of

administrative effectiveness and not only policy responsiveness. More specifically, given this assumption, social capital helps bureaucrats to cooperate in carrying out their duties much the same way as it helps citizens to cooperate in voicing their demands (see Boix and Posner 1998). Better bureaucratic cooperation may lead to efficiency and effectiveness in the internal operations of a government.

Further, social capital may make it easier to manage government organization as it reduces the agency problem, assuming that bureaucrats are tempted to act opportunistically in their job positions (McCubbins, Noll, and Weingast 1987, 1989). Given the potential for opportunistic behavior, senior managers need to spend considerable amount of resources on monitoring and/or creating and implementing rules to prevent such an opportunistic behavior. Both mechanisms have an unnecessary burden on the level of organizational efficiency and effectiveness as they increase rigidity in administrative processes.

High levels of social capital among bureaucrats reduce the monitoring costs by affecting the expectations that the agents have about the behavior of their supervisors and fellow bureaucrats. Opportunistic behavior is resisted, because everyone expects everyone else to work hard for the success of their common enterprise. In an uncivic community, where the bureaucracy is also suffering from the deficit of social capital, the bureaucratic organization is trapped in a vicious circle. Because distrustful bureaucrats breed opportunistic behavior, they increase the supervisors' incentive to invest in costly monitoring. In such a situation the administrative procedures will be slower and less efficient than in more civic polities (Boix and Posner 1998).[31]

[31] Other authors have considered the relationship between administration and trust. Peters (2001) argues that in societies where social and political trust is high, administrative structures are weak. Assuming a regulatory role for bureaucrats he states that in societies where the level of trust is high, fewer bureaucratic regulatory functions are necessary. On the other hand, in societies with low levels of trust, more rules and regulations need to be enforced

According to this theoretical explanation we should be able to detect an empirical relationship between the level of social capital and the administrative effectiveness aspect of government performance. Figuring out, which of these causal mechanisms linking social capital and government performance (either the one that links social capital to policy responsiveness as presented in 4.1.1 or the one that links it to administrative effectiveness as presented here) is an intriguing question. Employing a two-dimensional measure of government performance makes the test also possible.

Existing empirical evidence supporting the linkage between social capital and administrative effectiveness is not conclusive, though. Knack (2002) finds significant relationships between the U.S. state governments' managerial capacity and some measures of social capital, such as trust and volunteering, but not others, such as informal socializing and participation in club meetings. Some public administration studies have proposed that an organizational culture that manifests itself in patterns of shared values and beliefs about appropriate behaviors increases organizational effectiveness. However, analyses have shown that strong culture may also make government impervious to external oversight and control and poorly adapted to its environment (Rainey and Steinbauer 1999), indicating the isolation of organization's internal procedures from societal influence.

In sum, the empirical analyses being performed in the second part of this chapter serve a two-fold purpose. First, they test the effect of social capital and institutional variables on the different aspects of government performance. Second, the tests also have the purpose of

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making bureaucracies more powerful than the political components of government. However, the relationship between the "administrative power" and administrative effectiveness is not clear, which is why it is difficult to apply this argument into the current context. One might assume, given the empirical classification of the U.K. as having low and France and Italy as having high administrative power, that the higher the power of administration the lower its effectiveness. This, in turn, would predict a positive relationship between trust and administrative effectiveness as proposed by the authors described above. The assumption, however, remains speculative.

confirming or disconfirming the two rival causal mechanisms linking social capital to government performance that the existing literature has left unspecified. Specifically, the following hypotheses will be tested:

H 1: The higher the level of social capital in a polity, the higher the level of government *policy responsiveness* in that policy.

H 2a: The higher the level of social capital in a polity, the higher the level of government *administrative effectiveness* in that polity.

Alternatively:

H 2b: The more concentrated the administrative power of a government the higher the level of *administrative effectiveness* of that government.

4.1.3 Additional Variables Explaining Government Performance

The previous sections laid out the main theoretical arguments concerning the explanation of government performance on both dimensions. However, it would be naïve to conceive these relationships as bivariate. This section will add a number of control variables that potentially also affect policy responsiveness and administrative effectiveness. Some of these variables are driven by the nature of the empirical cases, i.e. local governments, employed.

4.1.3.1 Policy responsiveness and institutions

On the level of national government, institutional structure is one of the most powerful explanatory variables for the level of policy responsiveness (Lijphart 1999, Powell 2000). Although on the local government level the evidence is mixed, studies have shown, both in the U.S. and German context, that mayoral power is a significant predictor of municipal policy innovation, policy outputs, and citizen satisfaction with local government performance (Cusack

1999, Kuo 1973, Svara 1990). Overall, a strong mayor may constitute a focal point for the community providing clear lines of accountability and making it easier to communicate the policy demands to the government. A city governed by a collegial body blurs the lines of accountability and remains less accessible for the citizens. Especially so with regard to those segments of population that most probably prefer greater resource allocation: the less organized and the less politically sophisticated. Mayors with more powers and more political clout are also in a better position to respond to the demands of the citizenry than mayors with less power. Further, strong mayors have the incentive to respond to the needs of the citizens at large as their political fortunes depend on the public verdict rather than the preference of the council.

4.1.3.2 Socio-economic context

The level of economic development and the demographic composition of the community may account for the level of government performance on either dimension. These variables are necessarily related and consequently considered here together. In a more modern society, government can take a more activist role in society, as it will have more resources available to do so. Similarly, in a more modern society government would have the incentive and knowledge to implement more effective administrative systems. A higher level of education provides a larger pool of talent from which government agencies can recruit and enhance their administrative effectiveness. Demographic variables would also account for the demand for more or less public service provision: a jurisdiction with more low-income and older people requires more public services, jurisdictions with higher income inequality require more public safety measures etc. In the U.S. context, the homeowners, on the other hand, have a strong incentive for restricting the provision of public goods and services, as they carry the burden of paying local property taxes. In general, the socioeconomic and demographic variables constitute the realistic demand aspect

for policy provision that has to be accounted for if policy responsiveness is measured by quantities of policy outputs.

City size is another variable potentially influencing the level of government performance on both dimensions. A larger population creates a larger tax base allowing governments to be more responsive. Larger cities also have more diverse interests creating demands for more service provision by the government. Additionally, larger cities may influence the level of administrative effectiveness as the governing structures become more complex and efficiency related modernization more prominent on the government agenda.

4.1.3.3 Party Politics

Party political and ideological preferences may play an important role in determining the policy responsiveness dimension of government performance (Blais, Blake, and Dion 1993). It is reasonable to expect that leftist parties are more favorable towards increasing the scope of public service provision than their rightist counterparts. With regard to the empirical cases used in the study, this variable is potentially important in the German local governments where the local branches of the national political parties gain most of the seats in City Councils. Party politics is less relevant in the case of the U.S. cities, as most City Councils and mayors are non-partisan (Carpenter 1996). Further, administrative effectiveness is considered to be unaffected by partisan politics as parties of all colors have supported efficiency-related modernization of local government administration in Germany (Reichard 1997).

4.2 THE EMPIRICAL ANALYSIS

The factor scores of the two dimensions of government performance obtained from the analysis in the previous chapter serve as the measures of the dependent variables: policy responsiveness and administrative effectiveness. Recall that the indicators used in the factor analyses were measured within the timeframe of 1999 to 2002. The measures of social capital come from an earlier time period (see below). This time difference serves as an attempt to minimize the potential endogeneity problem in the relationship between social capital and government performance referred to in 4.1.1.3.

4.2.1 The Measurement of the Independent Variables

Recent literature has disaggregated social capital both conceptually and empirically most commonly into measures of generalized trust and measures of civic engagement (see Knack 2002, Knack and Keefer 1997, Paxton 2002, Stolle and Rochon 1998). This measurement strategy is also followed here. All measures of social capital for the U.S. cases come from survey data collected by the DDN Needham Life Style survey on a yearly basis from 1975 through 1998. The individual level survey data were aggregated according to the Metropolitan Statistical Area corresponding to the central city across the 27-year period. For each area the number of cases ranged from 300 to 600; the data were available for 33 cases. The level of generalized trust in a city was measured as a percentage of survey respondents who agree with the statement, "most people are honest". Unfortunately, the survey does not contain a question about respondents' organizational membership. However, as the organizational membership serves the purpose of engaging people into informal socialization and fostering collective action, two alternative measures were used to capture this aspect of social capital. First, an average score on

respondent's answers to the questions of how many times he or she had "attended a club meeting", "entertained people at home" and "gave or attended a dinner party" within the past twelve months was used. This serves as the measure of the level of informal socialization in a community. Further, an average score on respondent's answers to the questions about the frequency of "doing voluntary work" and "participating on a community project" within the past twelve months was used to capture the level of cooperation in a community. An average of both of these scores by city and across 27 years was calculated for the final measure. The three different measures of social capital are highly correlated ($.586 < r < .751$), which is why their effects on the dependent variables are estimated by separate equations.

For the German cases the indicators of social capital were coded from the German General Social Survey (Zentralarchiv für Empirische Sozialforschung and Zentrum für Umfragen, Methoden und Analysen 2001). The bi-annual surveys were conducted from 1980 through 1996. The survey provides information about the administrative district (*Regierungsbezirk* for the former West German districts, *DDR-Bezirk* for the former East German districts) of the respondent. The administrative district is a geographical unit smaller than the state and larger than the municipality. The information provided by individual respondents was again aggregated over the time-period and according to the administrative district corresponding to the city. The number of respondents by administrative district ranged from 150 to 400. The eastern districts of Germany had lower numbers of respondents as the first survey was conducted in those regions only in 1990. Two separate indicators of social capital are used for the German cases. First, respondents were asked to what extent they trusted their local government. This measure is used as a proxy for generalized trust based on the findings in the previous research that social trust and political trust are positively and highly significantly

related.[32] Second, an average score of respondent's answer to the questions of whether he or she is a member of the following organizations: a choir, a sports club, a hobby club, a youth or student organization, a welfare society, any other society, was used to measure the organizational membership aspect of social capital. The bivariate correlation between these indicators is .831, thus, again the measures are used in two separate estimations.[33]

The institutional variable of the chief administrative officer or the manager for the U.S. cases was coded from the Municipal Codes of the cities. There are two main forms of local governments practiced in the largest cities of the U.S.: the council-manager and the mayor-council form of government. The characteristic of the former is that a professional city manager, not to the mayor, is responsible for the executive and administrative affairs of the government and he or she accountable directly to the City Council (Boynton and DeSantis 1999). Cities with such an institutional setup were coded 1. In a mayor-council form of government, the entire executive and administrative power is vested in the office of the mayor. Cities with this type of government were coded 0. More recently some cities with mayor-council form of government have introduced a separate City Charter-mandated position of a chief administrative officer who is a professional manager responsible for administrative coordination within the government. Cities with such an institutional arrangement were coded .5. The same measurement of the institutional structure of the local government is used for both predicting the administrative effectiveness as well as policy responsiveness, because under the mayor-council form of

[32] Brehm and Rahn (1997) and Lipset and Schneider (1987) show that in the U.S. there is a strong reciprocal relationship between these two types of trust. Hall (2002), Kaase (1999) and Newton and Norris (1999) demonstrate a consistently positive correlation between the two types of trust using cross-national data. Stolle and Rochon (1998) use both political trust and generalized trust to capture the latent concept of social capital.

[33] The fact that the social capital measures for both countries are aggregated not on the city level, but on the level of a geographical region stretching beyond the central city causes a potential for measurement error. However, a city does not constitute a bordered polity and is opened to mobility, which in turn works to minimize any drastic differences in the level of social capital between neighboring and related communities. Thus, despite the caveats the measures are expected to be reasonably valid for the current analysis.

government is also the most powerful institution politically possessing veto power over council decisions. Under a council-manager form of government, the political power is dispersed among council members, the mayor being only *primus inter pares*.

There is no single easy measure for capturing both administrative and political power concentration in German local governments. Thus, two separate indicators are used for measuring either variable. The information about the allocation of the administrative power within the city was coded from the city constitutions (*Gemeindeordnung*). If the administrative power was vested in the chief administrative officer (*Gemeinderirektor*), the case was coded 1, if the administrative power was vested in a collegial body consisting partially or completely of professional managers (*Magistrat*) the case was coded .5, and if all the administrative power was concentrated to the office of the mayor, the case was coded 0. In order to capture the extent of political power concentration, the mayor veto power index compiled by Cusack (1999) is used.

The various socio-economic and demographic variables for the U.S. cases are all highly intercorrelated with $.667 \leq r \leq .730$. Thus, only the percentage of people in poverty and the percentage of homeowners ($r = -.332$) are used in the analyses. In addition, the total population is also coded for each city.[34] The only way the difference in the level of economic development between German cities can be accounted for is to include a dummy variable for the former East-German cities. It is clear that the level of economic development and personal income is lower in the eastern regions. The city population is also coded and added to the pool of control variables.[35] The party political variable for the German cities is measured by the share of seats in

[34] All these variables are coded from the U.S. Bureau of Census American Community Survey Census 2000 Supplementary Survey available at www.census.gov/acs/www/index.html (March 11, 2003).

[35] The data for both variables are coded from GAC (1999).

the City Council held by the Social Democratic Party (SPD), the Greens (*Bündnis 90/Die Grünen*), and the Party of Democratic Socialism (PDS) – the leftist parties.

4.2.2 The Regression Results

4.2.2.1 The determinants of policy responsiveness

Ordinary least squares regression analysis is used to determine the effect of the various independent variables on either dimension of government performance. First, the following equation will be estimated for both countries:

$$\text{Policy responsiveness}_i = \alpha + \beta_1 \text{social capital}_i - \beta_2 \text{form of government}_i + \Sigma\beta_n \text{controls}_i + \varepsilon_i$$

Where the controls include socioeconomic and demographic variables for both samples and left party control of the council additionally for the German sample.[36] As three different measures of social capital are used for the U.S. sample, three different equations are estimated. For Germany, two measures of social capital are employed and consequently two separate models are estimated. Table 4.1 presents the results of the estimations predicting the level of policy responsiveness both for the U.S. and the German sample of local governments.

Evidence presented in Table 4.1 supports the hypothesis that, *ceteris paribus*, local governments tend to be more responsive where the levels of social capital are higher. This holds for local governments both in the U.S. as well as in Germany. Further, the relationship is insensitive to the measure of social capital employed: in all five equations presented the measure

[36] In American politics, a rival concept to social capital is "political culture". Some authors consider the latter as the manifestation of the former (Putnam 2000). The cities in this study were coded as "individualistic", "moralistic", and "traditionalistic" according to the map provided in Elazar (1994: 242-3). Moralistic political culture is positively and significantly correlated with all the variables measuring various aspects of social capital ($.497 \leq r \leq .591$) and the traditionalistic political culture is negatively and significantly correlated with social capital ($-.590 \leq r \leq -.750$). Due to this high intercorrelation and due to the confusion about its relationship to social capital, political culture is excluded from the analyses.

of social capital appears a significant predictor of the level of policy responsiveness. The evidence, however, also shows that other factors influence the level of government performance on policy responsiveness dimension. Thus, employing multivariate analyses contrary to the bivariate correlations presented by Putnam (1993) presents a more mixed and less deterministic picture of the relationships associated with the level of government performance.

Mayor veto power appears significant in the case of German local governments, falling short of statistical significance in the U.S. case. A powerful mayor constitutes a one-peak leadership for a local government. The office becomes visible, the line of accountability becomes clearer for the people and power concentration makes it easier to respond to societal needs.[37] This is especially so in the case of German local governments, where the city councils are large and politicized, creating more possibilities for deadlock (see Cusack 1999, Gunlicks 1986). Additionally, larger cities in Germany and cities from eastern Germany tend to have higher levels of public service provision. These findings are understandable considering the measures of the dependent variable: larger cities tend to have more theaters and schools, hence the higher spending levels; also, eastern cities need to spend more on renovation and reconstruction. In the case of the U.S. the primary local taxpayers, the homeowners, restrict the extent of public goods provision as expected.

Given the differences in measurements units of the variables entered in the model, it is more informative to consider the standardized regression coefficients in order to get a better substantive sense about the effect of the different independent variables. Table 4.2 presents the standardized regression coefficients. In this Table each regression coefficient represents the change in response per standard unit (one SD) change in a predictor, and the effects of different

[37] In the U.S. case the sign for the form of government is negative due to the way this variable was measured: the higher value was assigned to the form of government with a weak mayor.

variables are easier to compare. Thus, in equation 1, one can observe that trust has clearly the strongest effect on policy responsiveness: one standard deviation increase in the level of trust is associated with .435 standard deviation change in the level of policy responsiveness of a city government. The alternative measurements of social capital – volunteering and informal socialization – exhibit also a strong relationship with policy responsiveness vis-à-vis other variables in equations 2 and 3. One standard deviation increase in volunteering is associated with .263 standard deviation increase in the level of government policy responsiveness. Informal socializing has the effect of increasing responsiveness by about 37%. These are all considerable effects and provide support for the hypothesized relationship between the level of social capital and the level of government responsiveness. The effect of the percentage of homeowners is also strong in all three equations: one standard deviation increase in this variable decreases policy responsiveness by about 50%. The effect of the form of government has a third-largest standardized coefficient. However, it does not reach the level of conventional statistical significance as stated above, thus it is difficult to infer a substantive effect of this variable with any certainty.

The replication of the analysis in the German context confirms the strong relationship of social capital to policy responsiveness: one standard deviation change in the level of political trust is associated with .443 standard deviation change in policy responsiveness. The relative effect of the membership leisure clubs on policy responsiveness is only slightly weaker. That the measure controlling for economic development in both equations 4 and 5 has the strongest effect on policy responsiveness is quite understandable given the great socio-economic differences between the new and the old *Bundesländer*.

Although replication is probably the best tool available for a social scientist to verify the empirical results, I have also performed several robustness tests in order to increase confidence in the insensitivity of the estimates. Due to the small sample size, especially for the U.S. analysis, diagnostics for detecting outlying observations were performed. Using the cutoff point of 2 (Belsley, Kuh, and Welsch 1980), studentized residuals revealed two potential outliers, Cook's distance measure with the cutoff point 1 (Fox 1991) revealed none, and DFFIT measures with the cutoff point $2\sqrt{(k+1)/(n-k-1)}$ (Belsley, Kuh, and Welsch 1980) revealed one potential outlier for equations 1 and 2. The equations were then re-estimated without the two outliers detected by studentized residuals. In both cases, the strengths of "social capital" and "form of government" increased considerably while the significance of the rest of the parameters remained similar to the ones presented in Table 4.1. Further, iteratively reweighted least squares regression analyses were undertaken with all observations included. These provided essentially the same results as presented in Table 4.1. For equation 3, none of the diagnostics for detecting outliers described above found any deviant cases. Similar diagnostics were also performed on the German analyses. Both equations 4 and 5 had four potential outliers. Additional regressions without the outlying cases as well as robust estimations did not change the results presented in Table 4.1.

Additionally, given, again, the small sample size in the case of the U.S. and the concern with the heteroskedasticity in the case of Germany as some of the independent variables (mayor veto power and social capital) have panel characteristics, I also estimated the models using robust standard errors (Greene 2002). The size of the robust standard errors did not differ significantly from the OLS standard errors presented in Table 4.1, and the significance levels of all the coefficients remained the same for all equations. Further diagnostics performed concern

potential multicollinearity between the independent variables that might have the effect of inflating standard errors for some variables and producing inefficient estimates. I calculated variance inflation factors (VIF) and tolerance to identify such a possibility (Greene 2002). The tolerance statistics for the U.S. sample ranged from .621 to .863, and the VIF statistics from 1.159 to 1.611 indicating that no significant multicollinearity is present. The estimations with the German data showed that there is potentially high multicollinearity between the social capital variables and the east-west dummy (VIF statistics for these variables ranged between 3.11 and 4.01). Dropping the east-west dummy from the equations, however, did not change significantly the coefficients for the other variables in the models. Further, previous literature suggests there to be a significant relationship between the level of socio-economic development of a community and its level of social capital as well as the extent of government policy outputs in the given community (Putnam 1993, 2000). All the more important is, thus, to demonstrate that the effect of social capital on the level of policy responsiveness remains significant controlling for one of its main rival hypothesis. Also, almost all of the variables included in equations 4 and 5 reach the level of statistical significance, and the size of the coefficients do not change dramatically from one equation to the other, both of which indicate that multicollinearity does not pose a serious problem (Greene 2002).

In sum, the statistical analyses and the subsequent robustness tests performed on the data from the U.S. and German local governments provide considerable support for the hypothesized relationship between the level of social capital in a community and the level of government policy responsiveness in that community. The relationship remains consistent across different national settings and is also insensitive towards outlying observation as well as to the threats of heteroskedasticity and multicollinearity.

4.2.2.2 The determinants of administrative effectiveness

Five separate equations were also estimated for administrative effectiveness. The following equation summarizes the information included in the estimations:

$$\text{Administrative effectiveness}_i = \alpha + \beta_1 \text{social capital}_i + \beta_2 \text{form of government}_i + \Sigma\beta_n \text{controls}_i + \varepsilon_i$$

Where the controls include socioeconomic and demographic variables for both samples.

The results of these estimations presented in Table 4.3 do not confirm hypothesis 2a according to which there should be a significant relationship between the level of social capital and administrative effectiveness. The null hypothesis is sustained in all of the estimations performed: both for the U.S. and for the German analyses. Finding similar results upon replication across different settings is especially important in the case of proving no relationship. It indicates that the fact that significant relationship is not detected does not reflect the idiosyncrasies of a special national setting. It is theoretically possible that the coefficients remain insignificant due to an inefficient measurement. However, none of the measures of social capital appears significantly related to administrative effectiveness indicating the result of no relationship cannot simply reflect the measurement error.

Regression diagnostics for detecting outlying observations described above were also performed on the models presented in Table 4.3. Again, by the most conservative criteria, two potential outliers were detected for equations 1 and 2. Re-estimating these equations without the outlying observations produced a better goodness-of-fit and increased the coefficient for the "percentage of people in the poverty" variable, leaving other results similar to those presented in Table 4.3. Using the German cases, very little change occurred in the parameters as a result of excluding outliers or performing iteratively reweighted least squares regression analyses. The

results remained insensitive to robust standard errors and did not exhibit any more significant multicollinearity than discussed in connection with the previous model. Thus, the null hypothesis regarding the relationship between social capital and administrative effectiveness can be accepted rather confidently.

On the other hand, the hypothesis about the positive effect of an institutionalized manager is supported by the data for both the U.S. and German local governments confirming the theoretical argument made above. In standardized terms, presented in Table 4.4, in the U.S. local governments with a position of manager, the level of administrative effectiveness is up to 37 % higher than in local governments without such a position. For the German cases the effect is less strong: the presence of a manager increases administrative effectiveness by about 20%.

Additionally, cities with a high level of poverty tend to pay less attention to modernizing and streamlining their internal administrative operations in the U.S. exhibiting an intuitively sensible resource constraint. In Germany, larger cities tend to be more managerially oriented, possessing probably more resources, such as manpower and know-how in order to implement efficient administrative procedures.

In sum, the analyses confirm the hypothesized relationship between the position of manager and administrative effectiveness. They also provide support for the argument that there is no relationship between social capital and the administrative effectiveness dimension of government performance, thus calling to question the elite-based causal argument about the linkage between the level of social capital and government performance. The results are, again, consistent across different national settings and robust against various statistical tests.

4.3 CONCLUSION

The current research has been motivated by the puzzles that the studies of government performance and social capital have left unanswered. These include the competing causal mechanisms linking social capital to government performance as well as the relative importance of institutional versus cultural variables explaining the level of performance. The analyses presented in this chapter shed some light to both of these questions.

The evidence presented and verified across two different national settings indicates that more civic communities tend to be more effective in pressuring their governments to provide more public goods and services. The study also shows that social capital is less useful a concept for explaining the effectiveness and efficiency within the bureaucratic organization of government. The variance on this dimension of government performance is better explained by an institutional variable, i.e. the empirical tests show that the institution of manager has a significant effect on the level of government administrative effectiveness.

These findings corroborate the theoretical arguments made in the first half of the chapter. The argument that high levels of social capital facilitate overcoming collective action problems in society, which makes it easier for citizens to articulate their demands and exercise pressure on policy-makers, is a plausible inference given the findings of the empirical analyses. Similarly, the argument about the positive effect of a manager who helps to overcome the dilemmas of cooperation and coordination in a government organization also suits the empirical findings presented. Although the tests of the theoretical arguments necessarily remain rather crude and indirect, the basic relationships implied by the arguments clearly hold.

The two-dimensional measure of government performance employed in the analyses has made it possible to improve upon the current understanding of the relationship between

institutional, cultural and government performance variables. First, the debate about the relative importance of cultural and institutional variables in relation to government performance has been, to an extent, reconciled. The government internal institutional setup is a significant predictor of the level of administrative effectiveness. Thus, the role of institutions structuring incentives, behavior and output clearly matters. At the same time, it is difficult to substitute the effect of cultural variables entirely by institutional factors. Social capital remains the most important predictor of the other dimension of government performance – policy responsiveness – in two considerably different national settings *controlling for* the effect of institutions.

Second, disaggregating the measure of government performance into latent variables of policy responsiveness and administrative effectiveness has also made it possible to evaluate two alternative causal mechanisms proposed in the existing literature about the linkage between social capital and government performance. The empirical findings here do not provide support for the bureaucratic elite-based argument, as no relationship between administrative effectiveness – the indicator of bureaucratic capacity for efficient cooperation and coordination – and social capital was detected. Indeed, it remains somewhat counter-intuitive that the level of trust and norms of reciprocity in society should influence the effectiveness of the internal operations of governments. Rather, within an institutional setting, institutional contingencies, shaping the incentive structures, prove a better basis for inductively deriving a causal argument that, in the current case, also appears empirically valid.

The results of the study have also more general important implications. First, the findings clearly show a positive relationship between social capital and government performance. Thus, the danger that government activism may kill private initiative and lower the level of social capital (Berman 1997a, 1997b) is not confirmed in this study. Rather on the contrary. That is,

arguing that social capital and the extent of government service provision are positively related is not an articulation of an ideological belief. Conservative politicians may find it disturbing, but the results of the analyses presented here suggest more of a state-society synergy in societal welfare provision (see also Evans 1996). Students of comparative politics may not consider this finding too counter-intuitive: social capital appears to be the highest in countries where government is actively involved in service provision: consider Scandinavian welfare states (Putnam 2000, Rothstein 2001).

Second, studies so far have left a rather bleak prospect in terms of the possibility of improving government performance. The argument has remained very deterministic because the studies have considered social capital as the most important predictor of a *uni-dimensional* concept of government performance. Given its cultural and historical embedment, increasing the level of social capital, and consequently the level of government performance, is a complicated enterprise (Knack 2002, Putnam 1993). Although, at least in part, such a social and cultural determinism seems to be associated with the level of government policy responsiveness, the results of this study also suggest that *government effectiveness* can and should be designed. The efforts of administrative modernization are not necessarily doomed to failure in less civic communities, as it does not directly depend on the social resources of trust and mutual reciprocity. Administrative effectiveness might be increased by favorable institutional arrangements: by creating an incentive structure for developing a functional and efficient organization. This policy implication is very important as it turns our attention away from cultural determinism – enduring cultural syndromes – as the only means for advancing the performance of governments, and brings more attention to a flexible variable – the design of governments – as a factor influencing government capacities.

Table 4.1 The Determinants of Policy Responsiveness

	The U.S. sample				The German sample	
	Equation 1	Equation 2	Equation 3		Equation 4	Equation 5
Independent variables	Social trust	Volunteering	Informal socializing	Independent variables	Political trust	Membership
Social capital	3.238*** (1.105)	1.317* (.850)	.883** (.405)	Social capital	.814** (.325)	2.924* (1.710)
Form of government	.397 (.351)	.357 (.387)	.329 (.372)	Mayor veto	.774* (.456)	1.056** (.436)
Log population	.016 (.210)	-.040 (.234)	-.110 (.213)	Log population	.992** (.407)	.838** (.407)
% in poverty	.001 (.028)	.001 (.033)	.003 (.030)	East	1.728*** (.428)	1.630*** (.520)
% homeowners	-.042*** (.014)	-.047*** (.016)	-.035** (.016)	% left parties in Council	.815 (.942)	.844 (.965)
Constant	-11.14* (6.155)	-2.887 (5.790)	-4.568 (5.143)	Constant	-9.678*** (2.722)	-6.580*** (2.245)
N	33	33	33	N	85	85
R^2	.459	.348	.400	R^2	.433	.412

Note: Dependent variable is factor score for policy responsiveness. Standard errors are shown in parentheses. *p<.10, **p<.05, ***p<.01, two-tailed.

Table 4.2 Policy Responsiveness: Standardized Coefficients

	The U.S. sample				The German sample	
	Equation 1	Equation 2	Equation 3		Equation 4	Equation 5
Independent variables	Social trust	Volunteering	Informal socializing	Independent variables	Political trust	Membership
Social capital	.435	.262	.370	Social capital	.433	.399
Form of government	.173	.155	.143	Mayor veto	.198	.270
Log population	.012	-.029	-.080	Log population	.230	.197
% in poverty	.010	.001	-.016	East	.847	.819
% homeowners	-.492	-.554	-.414	% left parties in Council	.099	.103
N	33	33	33	N	85	85
R^2	.499	.393	.441	R^2	.433	.412

Note: Dependent variable is factor score for policy responsiveness.

Table 4.3 The Determinants of Administrative Effectiveness

	The U.S. sample				The German sample	
	Equation 1	Equation 2	Equation 3		Equation 4	Equation 5
Independent variables	Social trust	Volunteering	Informal socializing	Independent variables	Political trust	Membership
Social capital	.208 (1.231)	.665 (.859)	.277 (.373)	Social capital	.166 (.368)	1.229 (1.978)
Form of government	.868** (.377)	.854** (.373)	.874** (.373)	Manager	.462* (.246)	.461* (.238)
Log population	.077 (.222)	.113 (.223)	.059 (.215)	Log population	1.788*** (.433)	1.757*** (.421)
% in poverty	-.060* (.029)	-.054* (.030)	-.060** (.029)	East	-.186 (.434)	-.041 (.550)
Constant	-1.461 (6.159)	-3.574 (5.236)	-7.527 (3.858)	Constant	-9.465*** (3.013)	-9.035*** (2.255)
N	33	33	33	N	85	85
R^2	.330	.343	.342	R^2	.325	.326

Note: Dependent variable is factor score for administrative effectiveness. Standard errors are shown in parentheses. *p<.10, **p<.05, ***p<.01.

Table 4.4 Administrative Effectiveness: Standardized Coefficients

	The U.S. sample				The German sample	
	Equation 1	Equation 2	Equation 3		Equation 4	Equation 5
Independent variables	Social trust	Volunteering	Informal socializing	Independent variables	Political trust	Membership
Social capital	.037	.128	.041	Social capital	.038	.108
Form of government	.372	.365	.355	Manager	.193	.181
Log population	.055	.080	.019	Log population	.407	.406
% in poverty	-.334	-.299	-.481	East	-.157	-.087
N	33	33	33	N	85	85
R^2	.330	.343	.342	R^2	.325	.326

Note: Dependent variable is factor score for administrative effectiveness.

5. THE STORIES OF EIGHT CITIES

The previous chapter provided evidence, with the help of quantitative analyses, that the level of social capital in a community is associated with the level of government policy responsiveness in that community. Similarly, the statistical analyses established a significant relationship between government administrative effectiveness and the strength of the managerial leadership. This chapter uses qualitative methodology to investigate further these relationships. While the previous chapter showed significant covariations between social capital and policy responsiveness, *ceteris paribus*, the theory developed argues that social capital helps to overcome the collective action problem in society in pressuring for government activism in local affairs. It is the sequential causal argument that the statistical analyses cannot really prove, but qualitative study of specific cases can shed some light to.

Similarly, the theory argues that a leader plays an important role in an organization, increasing the probability of effective administration, by way of facilitating coordination and inducing cooperation from individual bureaucrats. The statistical analyses showed that the basic relationship between the existence of a position of manager and level of administrative effectiveness holds. But that evidence does not describe *how* the manager affects coordination and cooperation in an organization, or whether there are some other, non-quantifiable, mechanisms that could produce the same effect. Again, qualitative studies of some specific cases would provide interesting insights into this relationship.

The case studies also serve the purpose of an independent stream of evidence in order to verify the results of the previous analyses with a different method. Or if the verification is not possible, explain why some deviations might have occurred. The best is to treat these case studies as complementary to the statistical analyses and as an attempt to strengthen the empirical validity of the theoretical claims made in the previous chapter.

5.1 CASE SELECTION AND DATA COLLECTION PROCEDURES

Altogether eight cities were selected for the case studies: four from the U.S. and four from Germany. The case selection for both countries follows the classification matrix presented in Chapter 3. According to their empirical values on the policy responsiveness and administrative effectiveness variables, all cities in both countries were classified into a four-fold typology: (1) cities that had positive values on both, (2) negative values on both, and (3) and (4) positive values on one variable but not on the other. One city for each country from each type was selected for closer analysis. Following the classification of the cities presented in Chapter 2, the two "dynamic governments" are Minneapolis and Aachen, the two "apathetic governments" are Memphis and Giessen, Detroit and Frankenthal are the examples of "active governments" while Virginia Beach and Saarbrücken have "efficient governments". The selection of cases from within a category was random. It was assumed that any case from the same category should be similar in terms of their level of policy responsiveness and administrative effectiveness and, hence, be representative of that particular category. The possibility of having deviant cases among the four cannot, however, be excluded.

Overall, such a case selection provides a suitable tool for analysis. Selecting one case from each category facilitates comparison: two cases of high level of policy responsiveness can

be compared to two cases of low policy responsiveness. In that way other factors in addition to policy responsiveness can be detected that the two similar cases share but the other two cases lack. If two cities that score high on policy responsiveness, also share a similarly active community that is involved in finding solutions to local problems, and the cities scoring low on policy responsiveness do not have active citizenry, then the relationship hypothesized in the previous chapter is supported. A similar logic of analysis can be applied to administrative effectiveness. Thus, the analysis of cases based on a classification scheme can aid in the discovery of significant characteristics that are logically independent of the criteria defining the types but empirically associated with the different types (see Lijphart 1968).

The information for the case studies was gathered from several sources. These include the review of city documentation, council meeting protocols, materials available on city websites, review of local media, and the review of secondary literature. These unobtrusive methods for gathering information were used, as much as possible, both for cases in the U.S. as well as Germany. Additionally, visits were made to the cities and interviews conducted with the administrators, council members, and local community leaders, in some cases also with academics who had studied the specific city or were involved in local politics. The rate of response of these interviewees and the usability of the information they provided varied considerably from city to city and also between countries.

An interesting observation in both countries, however, was that city officials from the "apathetic" governments were much less open and responsive to my inquiries than the officials from the other three types of cities. In these cities it took several phone-calls and emails before anyone responded. The officials kept referring me to other officials who would be "better informed about the questions" that I was inquiring about. The first reaction of the officials I

talked to tended to be defensive and loosened up only after they were absolutely sure that I was not a representative of a media outlet. This occurred despite the fact that I did not reveal the classification of the cities to the interviewees in any city. Thus, the responsiveness of cities governments to my inquiries should not have depended on city officials' reaction to my classification. Rather, this observation supports the validity of the measure of the dependent variable.

Despite this similarity, there were important cross-national differences in the interview process that may have affected the quality and the extent of information gathered for the case studies. In the U.S., the interview process is more informal: in most cases interviews could be set up over the phone or by email. In most cases, interviews were also granted after the first contact. All interviews lasted for about 45 minutes, were conducted face-to-face, and tape-recorded. The community leaders and academics were the most accessible and responsive interviewees. City officials were very responsive in all but the "apathetic" government, and the administrative leadership is especially accessible in the "efficient" and "dynamic" governments.

In Germany, interviewing was much greater of a challenge in general than in the U.S. as the process of approaching city government was highly centralized. First, in order to get any response from a city, a letter endorsing the research effort had to be obtained from the *Deutsche Städtetag*. With this letter and with a detailed list of questions and request for any additional materials I approached the office of the mayor in the four cities. Successful face-to-face interviewing with administrators and politicians was possible only in one city. Another city responded by providing materials about the topics of administrative reform and citizen initiatives in this city and allowing face-to-face interviews with only city administrators. The third city refused to give any information on the grounds of "personnel shortage". Fortunately, the denial

came early enough so that this city could be substituted with another from the same category. The substitute provided materials and agreed on face-to-face interviews with administrators only. Meetings with politicians were refused due to "an uneasy and intense political situation in the council". The fourth city responded in writing only after five official contacts by letter had been mailed. Again, those two cities scoring high on policy responsiveness responded most quickly and provided the information necessary, an observation corresponding to the one made about the U.S. cities. The number of face-to-face interviews in the German cities is considerably smaller than the number of interviews with the U.S. city officials. Most of the information about the German cases was obtained from a short questionnaire that was sent to the mayor's office of each city and any additional documentation provided by the city government. Every city provided one or two responses to the questionnaire.

The interviews were semi-structured. They covered topics such as the process of administrative coordination, the role of the mayor in administrative coordination, the role of other senior officials in this process, and the citizens' relationship to the administrative coordination in a city. The questions covering the topic of policy responsiveness concerned issues such as citizens' activism in pressuring for certain city policies, or blocking city government initiatives, examples of citizen direct policy initiatives, the openness of the city council and administration for citizen participation. The interviewees in both countries were guaranteed anonymity due to the sensitivity of some of the topics and in order to increase the probability of more open conversation. The information about the number and type of interviewees in each city, the time of interviews, the list of interview topics and the English translations of the questionnaires used in Germany are presented in Appendix.

I will describe and analyze both dimensions of government performance separately as they are explained by different factors and, thus, form different dependent variables. I will first try to explain why the eight cities have a responsive vs. unresponsive government and then move on to consider the explanations for the different performance of these eight governments on administrative effectiveness. Thus, every city has two very different stories to tell: the story of policy responsiveness and the story of administrative effectiveness.

5.2 RESPONSIVE VS. UNRESPONSIVE GOVERNMENTS

5.2.1 The American Cases

The two American cities that scored high on policy responsiveness and were selected for closer scrutiny are Minneapolis and Detroit. According to the measures used in Chapter 3, both of these cities spent more than an average city on community development, public safety, and also were more active in economic development and policy innovation. In contrast to these cities stand Virginia Beach and Memphis with less than average levels of policy activism. The case studies supported such classification. First, Minneapolis has been repeatedly recognized in both academic and journalistic studies as a progressive city with "good government" and egalitarian spirit (Fraser and Hively 1987, Baldinger 1971). The city is active not only in downtown and business development but also prioritizes redistributive economic programs (Martin 1989). There is in general great commitment to active government intervention into the economic and social life of the community and citizen demand for such intervention (Nickel 1995).

Detroit is a city that once was the center of leftist movements, unions and reformist activism. The election of the first black mayor in 1970s brought this leftist ethos into the city

government (Bockmeyer 2000). "The city intervenes in social service issues beyond just the traditional city service issues. It administers a number of social assistance programs through its human services, employment and training and senior citizens departments" (academic 3, Detroit, personal communication, January 31, 2003). While keeping the issues of the poor on city agenda, Detroit has also aggressively engaged in downtown revitalization and development (Bockmeyer 2000, Rich 1989, Lawless 2002). Further, contrary to the common perception of Detroit as a backward city suffering from chronic urban decay, it has been one of the leaders in policy innovation: in the Best Practices database of the U.S. Conference of Mayors[38], Detroit is one of the cities with most entries. It has received recognition for its programs for youth at risk, health education campaign, innovative city/county partnership on brownfield development, best small business programs, and community policing, to name a few. In terms of policy innovation, only Minneapolis measures up to Detroit while Virginia Beach and Memphis have been recognized only for two policy innovations each.

In the case of Virginia Beach, several interviewees stated that the most important issue for the city is to maintain the provision of core services with no ambition to engage in additional social or developmental policies. The priority for the city is to keep its expenditures at minimum and it has managed to do so by keeping the number of services small (The *Virginian-Pilot,* June 29, 2003). A good example of this small government endeavor is the fact that Virginia Beach is one of only a few largest cities in the country without a housing authority (*The Virginian-Pilot*, January 13, 2003).

Memphis is also a city with a penchant for providing only a minimum of public services (Pohlman and Kirby 1996). The stress has mostly been on business development explicitly at the

[38] Available at http://www.usmayors.org/uscm/best_practices/search.asp

expense of attending the abundant social problems present in the city. “The lack of emphasis is reflected in the areas of housing, neighborhood development, mass transportation, and education” (Pohlman and Kirby 1996: 46). Overall, the initial classification of the four cities on policy responsiveness is confirmed with additional evidence. The following discussion will explore the role of social capital in determining such classification.

5.2.1.1 Minneapolis and Detroit

Minneapolis is praised as a well-working city where corporate and government leaders are tied closely into a community with a social commitment and memory (Fraser and Hively 1987, Martin 1989). Ouchi (1984) states: “What is remarkable in Minneapolis is a community. It is a community of people who are connected to one another, who place peer pressure on one another, who remember for 50 or 100 years who has been helpful in the past and who has not. Individual energies are balanced by a network of concerned peers, with an interest for the long-run health of the community.”

Many people in Minneapolis are members of different organizations simultaneously, siding with one interest group in one setting and against them in another, bridging the gaps between groups of people advocating specific interests (Fraser and Hively 1987: 133, council member 3, Minneapolis, personal communication February 4, 2003). Thousands of residents participate in neighborhood, school, park or other type of organizations (council member 2, Minneapolis, personal communication February 3, 2003). Few public decisions are made without a lot of discussion by community organizations (Fraser and Hively 1987: 134). Additionally, business leaders participate in community affairs and through this participation they develop networks that transform narrow self-interest into a broader and more enlightened dedication to community interest (Fraser and Hively 1987). Thus, the community in Minneapolis possesses the

kind of bridging social capital (Putnam 2000) necessary for cooperation for achieving common good.

Furthermore, in Minneapolis, this community activism has translated into government policy and the effects of some of these policies have fed back to fuel additional community activism and engagement. Cooperation has been the hallmark of renewal efforts in Minneapolis downtown and neighborhoods – cooperation between public agencies, political and labor leaders, and certain business interests. The story of neighborhood development in Minneapolis is largely a story of residential involvement. Since 1960s, during the most active renewal period, citizen organized into powerful neighborhood groups that were able to influence the planning decisions (Martin 1989: 85). This efficacy propelled the creation of further neighborhood organizations and community involvement in city policy-making. Further, the business leaders often found themselves supporting residents' groups, or working with them once a plan of action was formulated (Martin 1989: 150).

By 1980 there had been a shift in community development policies away from bureaucracy-centered to community-based development, more inclusive and responsive to community interests (council member 4, Minneapolis, personal communication, February 4, 2003). Goetz and Sidney (1997: 497) state:

> "Indigenous community-based organizations formed and reformed throughout the decade, neighborhood activists won positions on the city council, and the city created a comprehensive form of citizen participation for community development, committing itself to creating and maintaining neighborhood organizations throughout the city."

Ultimately in 1991 the city settled with a community based planning and redevelopment called Neighborhood Revitalization Project (NRP) (community leader, Minneapolis, personal communication, February 3, 2003). NRP is an ambitious attempt to devolve policy making to

neighborhoods. With this program city has further raised stakes for participation, because NRP has substantial funds available for neighborhoods to carry out their comprehensive plans. More and more people participate in their community meetings, criticize city planning projects and push for more community involvement (*Star Tribune*, August 5, 1997).

> "People across the board get involved, not only certain parts of the population. This participation has taught people how to get what they want from city government. They can be more insisting and they know whom to turn to with their needs and are not intimidated by the city bureaucracy" (NRP director, personal communication, February 2003).

The expanding electoral power and policy-making capacity of organized community groups has been a catalyst for policy activism in Minneapolis (Nickel 1995). Using its electoral clout, the local community movement has gained a foothold in the city's governing alliance. This, in turn enabled community leaders to formulate and implement social and developmental policies and programs beyond core service provision and downtown development (personal communication, February 2003, Fraser and Hively 1987). Further, basic trust in government has supported public sector leadership allowing for the public provision of certain social policies that in other cities are left for voluntary or faith-based organizations (Fraser and Hively 1987). Egalitarian spirit, citizen demand for higher levels of public services, and large-scale participation in local politics has also led to the distribution of benefits of economic growth throughout the community rather than feeding the benefits back to downtown development and, thus, to selected groups only (Nickel 1995). In sum, Minneapolis serves almost as an ideal case for illustrating the hypothesis that high level of social capital and civic activism leads to more inclusive government policies, which in turn fuel additional participation from all social strata.

The evidence of community activism in Detroit is mixed. There are authors who claim that community organizations, especially Community Development Corporations (CDC) in

Detroit have been very active, vocal and effective in pursuing neighborhood development and social policies (Bockmeyer 2000, DiGataneo 1999, Eisinger 2002, Lawless 2002, McCarthy 1997, Neill 1995a). Detroit has about 100 CDCs, compared to only 6 in Memphis (see below), and about half of them were described as very strong and active bringing together neighborhoods and business leaders (council member 1, Detroit, personal communication, January 24, 2003). The neighborhood organizations in Detroit are considered to be well organized, knowledgeable of the strengths and needs of their neighborhood, and fostering a dense network of relationships with each other all through the city (City of Detroit: III.11). Bockmeyer (2000) suggests that these relationships have been eased by the horizontal trust that exists between people with similar social backgrounds and neighborhoods.

There is also evidence that the community is not only organized, but also effective in influencing government policies. The Detroit empowerment zone planning process provides a good example. Bockmeyer (2000: 2418) states, "Detroit's EZ planning process is characterized as having unusually high levels of community activism, driven by a powerful network of community development corporations." During the initial stage of the empowerment zone bidding, neighborhood groups demanded access and won it: the city administration engaged in community consultation and consensus building (see Thomas 1997). As a result the Detroit application for the empowerment zone was widely regarded in Washington as one of the best planning documents to be submitted in the competition (Eisinger 2002). Because empowerment zone grants required demonstration of broad-based cooperation and support from business, government, labor, and neighborhood organizations, Detroit's designation as one of six cities to receive a full empowerment zone grant was seen as a prime example of vibrant social capital and

community strength activism and efficacy in pressuring city government for inclusion (DiGataneo 1999).

Community activism was stressed not only in the context of the empowerment zone, though. As one of the interviewer stated,

> "There are hundreds of community organizations. In any given neighborhood there are literally dozens of organizations that have formed across time. Anything from churches, block clubs, neighborhood organizations, coalitions of neighborhood organizations, group endeavors, all sorts. Those are the channels that people use to get things done. Citizens show up on council meetings and have their say about daily decisions. People are coming to the table asking about an issue, somebody else providing another view… There are a lot of attempts for being efficacious." (academic 3, Detroit, personal communication, January 31, 2003)

Further, council members have close ties to community groups and some members have even initiated some groups. The ability of communities to mobilize and cooperate with political actors led to 1989 city charter revision that gave more power to city council vis-à-vis the mayor (Bockmeyer 2000). The presence of powerful CDCs and these political ties has led to active housing development and to the provision of a wide range of social service programs (academic, personal interview, January 2003). City officials argue that Detroit's approach is designed to be inclusive: "We cannot have this rich city where we have areas of the city where we have these large concentrations of poverty" (quoted in Lawless 2002: 1340). During the 1993 mayoral election that community development advocates banded together to assist Dennis Archer become the new mayor (McCarthy 2002). After the election a lot of community activist entered the mayoral executive branch and became involved in planning and development. All this supports the argument that community leaders have real say in city policy-making.

The city government is also actively soliciting stakeholder input. For example, when annual budget meetings were held in sections of town with large Mexican or Arabic populations,

translation was provided. The city also holds, in addition to regular public meetings, a youth meeting, in which students from different schools attend and can voice their ideas about city policies and programs (Barrett and Greene 2000). Further, the city has set up Neighborhood City Halls (NCH) to serve as an advocate for residents seeking services from City departments and assists block clubs and community associations in organizing and planning neighborhood events. NCHs interface with businesses and community groups in building strong relationships to promote positive, productive neighborhoods (council member 2, Detroit, personal communication, January 24, 2003).

Yet being attentive to neighborhood issues and the needs of the poor has not necessarily meant that the city has been able to change the situation of the mostly black poor population in the city. The undisputedly visible urban decay in Detroit and the historically uneasy racial relations in the city have created an image that Detroit is anything but responsive to its community needs. In her study on community activism and trust, Bockmeyer (2000) argues that formal policies designed to embed less affluent communities within whatever benefits are occurring, have remained insubstantial. Furthermore, another study states that there is continuing inability or unwillingness on the part of development agencies effectively to engage with, and to provide concrete gains to, the community sector (Lawless 2000). Acknowledging the existence of active CDCs in Detroit, Bockmeyer (2000: 2419-20) states that distrust towards city government stimulates such narrow organizing only as a defense tool rather than a manifestation of high level of social capital in the community.

Lawless (2002) further argues that race is still a prominent issue in Detroit politics and that this impedes consensus politics. Most interviewees confirm this view – blacks feel less empowered as business has substantial clout. Several authors find that the strong mayor form of

government is too authoritarian giving the mayor a potential to push forward policy unilaterally and a tendency to serve personal ends (DiGataneo 1999, McCarthy 2002, Eisinger 2002), which makes community involvement in local government decision-making difficult. Several interviewees stated that when it comes to city policy issues the neighborhood groups have been too weak and not mobilized enough to voice their opinion. "Neighborhood groups are isolated. They may or may not oppose the development ideas of business groups, but they don't confront them or engage" (academic 1, Detroit, personal communication, January 23, 2003).

> "Neighborhood organizations get well-organized and noisy when they are at threat. With two exceptions, there are no regular on-going grass-roots initiatives that are constantly providing input to the city decision-making process. There is no organized force in neighborhoods to come out with certain ideas or plans. Even when the city government seeks citizen input on some planning effort, only a handful of people showed up in some districts. That shows the degree of frustration and alienation that people feel" (academic 2, Detroit, personal communication, January 30, 2003).

The evidence of the political efficacy of citizens and indeed, the level of social capital and its policy consequences in Detroit remains mixed. Yet, even those painting a bleak picture of Detroit city policy-making process from the point of view of citizen engagement do not deny the active involvement of the business community in this process. The business interests are undoubtedly better organized, have secured relations with political leaders and have long term action plans that they pursue in coalition with public sector actors (Bockmeyer 2000). Yet alongside the economic downtown development, the advancement of minority and small business has always been a priority (Rich 1989). Further, Neill (1995b) states, "in general Detroit has profited a lot from local business elite who has been rather civic minded". "The city has prioritized economic development because that's where they think they can generate tax revenues, improve the image and create jobs" (academic 2, personal communication, January 30,

2003). Detroit historians have also suggested that the poor majority in the city endorses such development approach (Rich 1989).

In general, Detroit community activism seems less pronounced than that of Minneapolis. Detroit city government is more responsive to the better-organized special interests of the business associations. At the same time, the efficacy of community organizations outlined above cannot be discounted entirely. First, because the evidence documenting the existence of social capital and its effect on government policies is provided by a variety of sources, while the opposing argument rests largely on the perceptions of the interviewees. And second, because the social capital variable provides a viable explanation for city government commitment to redistributive policies that could, in the absence of citizen demand for government provision, also be outsourced to faith-based or voluntary organizations as is the case in Memphis.

5.2.1.2 Virginia Beach and Memphis

The local government in Virginia Beach has taken a rather hands-off position towards intervention in individuals' lives. Government activity is restricted mainly to those areas, primarily in the economic realm, which encourage private initiative and widespread access to the marketplace. After all, six of the eleven council members are successful business-people. The city officials are committed to giving the public what it wants, but not willing to initiate new programs or open up new areas of government activity on their own recognizance (city official 4, personal communication, August 5, 2003). The city government seems to be driven by the managerial ethos and business-like efficiency rather than by a responsibility to promote the general welfare through extending public good provision. The city takes pride in "trimming expenses every annual budget" and having "the ninth lowest spending per thousand residents among the 50 largest cities in the nation" (City of Virginia Beach, 2003). "With such a record, it

is difficult to become any more efficient. The next step is going to be very expensive. We will be talking about cutting services if we want to become more efficient, and I see some of that discussion already" (city official 2, personal communication, August 6, 2003). This illustrates well that city priorities are not in extending service provision.

The fact that the city council has ignored public opinion on efficiency grounds serves as another example of the city government preference for business rationality over responsiveness. One interviewee tells the story:

> "There was a referendum about a development project a few years ago, and the results of the referendum came out against the issue. It was a totally citizen-driven referendum. You get so many signatures, you can get something on the ballot, this is how it started. But the referendum was not binding for city council, and objectively there wasn't much city could do. It was a development project and the city had already entered a contract, so legally city council could not object the development project or it would have been really costly. So the council decided against the referendum, which in turn created this unresponsive image. It was really kind of a business decision that had to be made" (city official 4, Virginia Beach, personal communication, August 5, 2003).

Further, local newspaper has also voiced the problem of city council unresponsiveness to the community interests and citizen input on several occasions (*The Virginian-Pilot*, February 12, 2003, January 14, 2002).

Overall, however, the institutional constraints for participation are not high in Virginia Beach (Scavo 1993). Rather, community activism itself is spotty and very issue-dependent. "There are issue activists for certain things or if there is some sort of issue that impacts some neighborhood, then they get active. But it wanes down quite quickly, the neighborhood cannot stay focused for a very long time" (council member 1, personal communication, August 6, 2003). There is no community planning and cooperation on long-term basis. Virginia Beach neighborhood civic leagues have gathered under an umbrella organization – the Council of Civic League.

> "This Council has tried to get more into influencing policy, but their membership is waxing and waning depending on what issue becomes topical. So far, they really don't have any specific agenda or policy proposals for the city. It has not been easy to keep community organized and focused" (council member 2, personal communication, August 6, 2003).

One of the reasons for low broad-based community activism in Virginia Beach may be the fact that "folks in the resort city are richer than their cousins across the country" (*The Virginian-Pilot*, January 23, 2003). The majority of Virginia Beach residents are self-sufficient. The city is young and the population has not been fully urbanized yet. There are fewer problems with poverty and homelessness than in most other – older – American cities. Such a demographic situation has fuelled city's business-like penchant for maximum efficiency. As one of the interviewees said, "I believe if there were some influx of poor or homeless people in the resort area, then certain community groups would form and citizens would become more active. But we do not have that issue yet, although we are moving in that direction" (city official 4, Virginia Beach, personal communication, August 5, 2003).

In sum, with some reservations, the case of Virginia Beach fits the theory. One can observe the presence of both low policy activism and low community involvement in Virginia Beach. To a certain extent, one can also argue that the low policy activism is the result of low community activism. It is a perfect place to remind the reader that non-active government is not necessarily "bad" government. Rather than arguing that social capital has positive consequences in the normative sense, the argument is that social capital has consequences to the policy outputs of government. In the case of Virginia Beach, a government that enjoys 90% approval rating from its residents, the community is satisfied with low policy activism, and this may be the normative yardstick against which to measure whether a government is good or bad. Yet, this

does not prevent case of Virginia Beach from confirming that the level of social capital and government policy activism covary.

Like Virginia Beach, the city government of Memphis has a penchant for providing only a minimum of public services. Contrary to Virginia Beach, however, Memphis is a city of much greater contrasts and much greater needs for higher levels of service provision. After all, it is the city with the largest proportion of people in poverty than any other large American city (Silver and Moeser 1995). Yet the city has a strong legacy of exclusion of citizens from governance and low levels of citizen community activism. In important ways Memphis stands in direct contrast to Minneapolis, and thus, also represents an ideal case for demonstrating the hypothesized relationship between social capital and public goods provision, but on the negative side.

Memphis has a strong mayor form of government, giving the mayor almost unlimited power vis-à-vis other parts of government. Historically, Memphis has been run by a political machine (Silver and Moeser 1998). The machine did not leave much opportunity for citizen participation. The "Boss" controlled the city government and this has left a long legacy of apathy towards involvement in government affairs (academic, Memphis, personal communication, August 2003). As late as 1970s, there were still no real community organizations in Memphis (Pohlman and Kirby 1996). There were just little cells of the machine that did not allow for much real participation. The civic infrastructure has started to grow only very recently. "The first CDC started in 1995. There were no models and no resources, just the initiative and some active people. Now there are about 6 CDCs, and another 20 that want to get started. There are now also several neighborhood organizations" (community leader 2, personal communication, August 2003). It was about 10 years ago when a group of community activists also started a community

volunteering organization Hands on Memphis. Both CDCs and this organization involve people in social service provision for the community.

Interestingly, however, these organizations are not in any cooperative or consulting relationship with the city government.

> "The city of Memphis has never provided social services. In the 70s there was some talk about starting to provide some of these services, but it never realized. People in the city government really did not feel that it was their responsibility. This philosophy is still living" (academic, personal communication, August 11, 2003).

These policy choices also have historic legacies. The city is known for its long-lasting mentality of white supremacy and the cast system between the rich and the poor (Pohlman and Kirby 1996). Historically, the city's leaders had little interest in extending services beyond those that directly benefited them. Thus downtown streets were paved, but many streets in the less affluent areas of the city went without hard surfaces well into the 20th century (Wrenn 1998). Only after 1991 election, when Memphis for the first time elected a black mayor[39], did some of the "people" issues, such as housing, appear on the city political agenda (Pohlman and Kirby 1996). At the same time there is great citizen concern about the issues of poverty and call for government action (*The Commercial Appeal*, February 9, 2003).

The non-profit community organizations are trying to fill in the gaps left by city government, but in a city with so many demands, voluntary sector cannot do much (community leader 4, personal communication, August 13, 2003). Further, even this modest community activism in Memphis is not led by ordinary Memphians: most volunteers are people who have moved to the city recently. Also, in the city of 60% black population, 80% of volunteers are

[39] In fact, that the population of Memphis was 50% black already in 1980s, but the black community was not unified and was also very apathetic, thus failing to elect a black candidate in office earlier.

white (community leader 5, Memphis, personal communication, August 13, 2003). The legacy of apathy still lives among homegrown Memphians.

In addition to the low level of civic activism, the city government is also not open for participation. "There is no interest in their part. Even as little thing as updating their website or making information available via the Internet, this does not exist. There is lack of information. And there is no real participation" (academic, personal communication, August 11, 2003). Silver (1998) argues that the city does not allow for any meaningful citizen involvement in developing and planning processes. The reluctance of the city government to open up has been observed also by others. The local newspaper reports: "At times, some [council] members just don't seem to be listening to people. In fact, the reputation of the council has been scarred occasionally by downright rude treatment of people who have business to conduct before the body" (*The Commercial Appeal*, December 29, 2002). Citizen frustration with not only the city council, but also with the city government and complaints about decisions being made behind closed doors has been topical in the local news media in several occasions (see Fontenay 2002, 2000). Low levels of civicness and community involvement have also had some recent tangible consequences. Recall that Detroit was one of the first cities to receive an EZ designation. This was largely achieved due to its active community involvement. Memphis, on the other hand, has failed to win designation twice. This failure can be attributed both to the weakness of the government bureaucracy and the weakness of the community organizations (*The Commercial Appeal*, September 26, 1999). The city officials are not used to citizen participation, as it has never been very active, which is why they lack the predisposition for being open to participation even if they have declared it their policy or are forced to be inclusive. In sum, Memphis serves as a good example of low citizen participation leading to low levels of government service

provision. The lack of social capital in Memphis has fostered a government whose policies have not been responsive to the needs of the general public, and that has exercised the politics of exclusion.

Overall, the story of each city illustrates that there is a causal relationship between civicness and the extent of government service provision. Both in Minneapolis and Detroit we saw that civic organizations had real impact on local decision-making and that civic activism has influenced the extent of certain public goods provision, most notably in the area of community development. Memphis was a good example of the negative end of this relationship: there is some evidence that the low level of concern with "people's issues" in Memphis is attributable to the low level of trust and civic involvement of the Memphians. Also, in the case of Virginia Beach there is enough evidence to state that the extent of government outputs and social capital within the community are correlated.

5.2.1.3 Alternative Explanations

The stories of the citizen activism and participation in the four cities concur to the theoretical argument about the relationship between social capital and policy responsiveness. However, the stories presented so far do not consider alternative hypotheses. One might argue that the differences in the level of policy responsiveness in these four cities are accounted for by factors such as institutions, party politics, or the socio-economic situation in the city (see Chapter 4).

The variation in the institutional structure – the power of the mayor – is not a strong explanation of government policy activism. According to the theoretical arguments laid out in the previous chapter, we would expect cities with strong mayors to have higher expenditures and higher levels of policy innovation than cities with weak mayors. However, of the two cities with strong mayors – Detroit and Memphis – one scores high on policy responsiveness while the other

does not. Furthermore, Detroit and Minneapolis score high on responsiveness, but only the former has a classic strong mayor form of government, while Minneapolis has a weak mayor. Thus, there is no clear pattern of relationships between the institutional structure and government policy activism.

Second, although three cities out of four have non-partisan elections and the partisanship of the elected officials is private information, one may argue that party politics still plays a role in local government decision-making in terms of ideas, ideology and general predisposition about the role of government.[40] One might argue that Democrats are more willing to expand the role of the local government in service provision, and, indeed, an overwhelming majority of council-members in Detroit and Minneapolis identified themselves as Democrats, however, so did most of the council-members in Memphis – a city rather stingy in public goods provision. Thus, no clear relationship between party politics and policy choices emerged on the basis of these four cases.

The socio-economic differences between cities serve also as a plausible explanation of different patterns of public good provision. For example, in the case of Virginia Beach we saw that the absence of demand – the relative affluence of the city – could have accounted for the low levels of redistributive policy provision in that city. However, the evidence from the other city scoring low on policy responsiveness does not support this relationship: in Memphis there is a real need for social service provision, yet this has not compelled the local government in action. Rather, the community has to rely on sporadic volunteerism or the activities of the faith-based organizations to provide for the needy. This explanation, again, does not refute the relationship between government policy responsiveness and social capital.

[40] This variable was not included in the statistical analysis, as there is no data available about he party identification of local elected officials for all cities.

There is one viable alternative explanation, however – the region. Both of the cities scoring high on policy responsiveness are located in the north (Midwest), while those cities scoring low are situated in the south. Yet, it is not clear whether this regularity represents a substantive explanation for the difference in government service provision or is an artifact created by selection bias. That is, there is no theoretical reason for why southern cities should have less active governments than cities in the north. The region might be a viable explanation if both southern cities were young, growing and affluent, as many Sunbelt cities tend to be. However, Memphis does clearly not qualify as a typical Sunbelt city with its high poverty level, history of urban decay and deep racial division. Furthermore, region would then probably also correlate highly with the socio-economic variable, as the typical southern Sunbelt cities tend to be more affluent. In sum, as none of the alternative explanations proves to be more powerful than the original explanation of social capital, one can be more confident that the case evidence indeed supports the original theoretical argument elaborated in the previous chapter.

Last, but not least, as already hinted on in the previous chapter, the concept of "political culture" developed by Elazar (1994) to describe American states and regions may serve as an important alternative hypothesis for government performance on both or either dimensions. Indeed, Detroit and Minneapolis are both cities from regions with "moralistic" political culture, where "good government" and social innovation are prized. Virginia Beach and Memphis, on the other hand, are both from the regions of "traditionalistic" political culture where politics tends to be dominated by elites resistant to innovation and government activism.

However, while moralistic regions tend to be innovative in public policy, focused on social and education services, administrations in these regions are also less corrupt, more managerial and effective (Johnson 1976, Kincaid 1982, Putnam 2000). Similarly, while in

traditionalist regions political leaders play conservative and custodial rather than initiatory roles and the role of government tends to be minimal, traditionalistic culture also resists building rational and efficient bureaucracy (Elazar 1994). Thus, even if political culture would serve as a potentially viable explanation to social capital in accounting for the variance in government policy activism, it remains inefficient for explaining administrative efficiency (see section 5.3). Furthermore, as mentioned in the previous chapter, and as noted by other authors (Knack 2002, Putnam 2000, Rice and Sumberg 1997), there is a high correlation between the measures of social capital and those of political culture with moralistic regions having considerably higher levels of generalized trust than other regions. It is not clear from the existing literature, however, what the relationship between these two concepts is, and perhaps the measures are in essence capturing a similar latent concept. If the latter is true, the fact that political culture is performing well as an alternative hypothesis poses no threat to the theoretical argument developed here. Social capital just seems to be a concept more suitable for cross-national analyses as it has easily identifiable empirical referents in other contexts outside the U.S.

5.2.2 The German Cases

In order to avoid claiming the idiosyncrasies of one country as empirical regularities, this section will consider the relationship between policy responsiveness and social capital also in the German context. The sources of evidence here are more limited than for the U.S. cases leaving the stories terse and concentrating more on correlation than causality.

The two German cities that scored high on policy responsiveness and were selected for further study are Aachen and Frankenthal. Aachen is the western-most city of Germany and belongs to the *Land* of North-Rhine Westphalia with a population of about 250,000. Frankenthal

is a city of 50,000 inhabitants in Rhineland-Palatinate. In per person terms, these cities are more active than an average city to spend on schools and public theaters as well as provide public kindergarten spaces (see Chapter 3). The two other cities selected for closer study – Giessen and Saarbrücken – serve as the opposites for Aachen and Frankenthal in that both of them scored negative on the scale of policy responsiveness. Giessen is a city with 73,000 inhabitants and belongs to the *Land* of Hesse. Saarbrücken is the capital of one of the smallest *Länder* in Germany – Saarland – and it has a population of about 200,000. As with the American cases, I am interested in whether Aachen and Frankenthal differ from Giessen and Saarbrücken also in the level of citizen activism.

5.2.2.1 Aachen and Frankenthal

The official means for citizen participation in the communities of North-Rhine Westphalia, including Aachen, are set up in the local government constitution (*Gemeindeordnung*). This document lists the following options for citizen participation: an office for citizen complaints, public question and answer sessions in the local council, the requirement for public consultation concerning city planning and construction issues, the right of petition. According to a local politician, all these methods are used very actively (council member, Aachen, personal communication March 18, 2003). The office of citizen complaints is handling also citizen suggestions and ideas about city issues. The number of these initiatives is very large and they cover a diverse set of issues including the quality of environment, traffic planning, the reduction of noise, the creation of day care centers etc (council member, Aachen, personal communication March 18, 2003). Citizens are especially active in solving local social problems but are also engaged in finding solutions to local economic problems alongside with regional professional associations and local entrepreneurs (ibid). Local politicians and administrators alike thought that

most people are engaged in community problem solving, without seeing any stronger impact by certain specialized interests or demographic groups. According to the interviewees, the general level of citizen participation has increased over time.

There are several examples of specific policies and programs that have been implemented mostly or partially due to citizen initiative. The most recent rebuilding initiative in one of city's neighborhoods – Aachen-Ost – involved high levels of citizen participation in the planning phase of the rebuilding effort. The engagement of citizens created a comprehensive plan that stretched beyond simple renovation and street-repair and included quality of life issues such as cultural, social, and educational development as parts of the renewal effort (city official 1, Aachen, personal communication March 18, 2003). The city government is currently implementing the plan, and citizens are still actively involved in implementing and consulting on specific issues included in the plan. Also, citizens' concerns with clean streets and safety in the city at nights have prompted city government to actively look for government provided solutions to these problems. At the same time citizen monitoring as well as participation in the delivery of results has also been active (Stadt Aachen 1999).

In addition to the neighborhood-based participation, Aachen also has a voluntary association called *Initiative Aachen* (Aachen Initiative) that brings together not only local citizens, but also local voluntary organizations who want to contribute to the local well-being. The primary purpose of this organization is to facilitate cooperation and induce local level policy initiatives. One of the latest of such initiatives was the street cleaning in the central business district of Aachen. With the help of *Initiative Aachen* the city was able to create four additional full-time jobs for street-cleaners, keep the center city clean and not raise taxes for this service (Stadt Aachen 1999).

In line with the responsive cities in the U.S., Aachen is also actively soliciting citizen involvement. Further, like Detroit, the city government of Aachen is concerned about the input of youth in the city decision-making. For example, school-children's descriptions of the dangers they face on their way to school, to friends or to shopping and their suggestions about rebuilding some of the bike-routes with the objective of making them safer to use, have triggered more than 100 changes in either motor-vehicle traffic, re-routing of bike route networks or pedestrian walkways (Oberbürgermeister 2002).

Frankenthal, the other responsive city, engages its citizens in several ways including public meetings at least once a year, question and answer sessions in the city council, the right to file a complaint, and the right of petition. These official means of participation are used actively, as was the case in Aachen (city official 1, Frankenthal, personal communication, March 28, 2003). The interviewees thought that most people in Frankenthal are very actively involved in solving local problems. No bias was seen as to special interests or specific demographic groups. Citizens were seen as the primary actors alongside with local party organizations and government officials in proposing solutions to local economic and social problems. Citizen initiative has become more and more active over time, and the relationships within the community were described as highly consensual and collaborative (city official 2, Frankenthal, personal communication March 28, 2003).

As was the case in Aachen, several policies implemented by the city of Frankenthal have occurred due to citizen initiative and involvement. One of the latest examples was the problem with the increase of groundwater endangering buildings in some parts of the city. This caused a major citizen initiative for identifying the problem causing excess humidity, calling for city government action on this matter, and finally participating in the implementation of the

surveillance and regulation mechanisms for the level of groundwater. Similarly to Minneapolis, Frankenthal has recently institutionalized the process by which citizen initiated projects are implemented. The city has made a commitment to implement two citizen projects per year. All citizens in Frankenthal, all associations, societies, other groups in the city and entrepreneurs with different interests are participating in working out these project as well as helping to implement them. The monetary costs are usually covered by the city, but also from private sources. Having such a widespread participation does not allow focusing only on special interests, but issues that are widely desirable by citizens. The projects initiated and implemented so far include the creation of a reading-room café in the city public library, reconstruction of one of the open areas of the city, renovation of an old dock, and even building six new classrooms in one of the schools of Frankenthal's sister city in Rwanda.

The examples of Aachen and Frankenthal both corroborate the argument that more cooperative and active citizenry is associated with a broad-interest-based approach to local problem solving and high level of policy responsiveness. Although the evidence is less extensive than in the case of the two responsive cities in the U.S., similarities in the relationship between social capital and government policy activism are obvious. In both countries active citizenry has won an important position in the government policy-making process and has had real influence on policy outputs. In both countries, active and dynamic governments have also tried to institutionalize the process of citizen input in policy-making.

5.2.2.2 Saarbrücken and Giessen

The legal regulations about citizen participation in Saarland are similar to the other cities described above. What sets the city apart from the other examples here is the effort that the city government itself is taking to enhance citizen input. In 2000, the city government carried out a

citizen survey that made an inquiry into the extent of citizen participation and readiness to participate in local affairs (Amt für Statistik, Wahlen und Kundenberatung 2000). The results of this survey allow drawing several conclusions important for the current discussion. First, as pointed out in previous chapters, policy responsiveness measured by expenditures is not strictly comparable across communities, because of differences in substantive priorities. The results of Saarbrücken citizen survey, however, show that schools and kindergartens are on the top of citizen priority list, most people agreeing that expenditures on these items should be increased. These priorities have remained pretty stable across the decade of 1990s (Amt für Statistik, Wahlen und Kundenberatung 1997). Thus, Saarbrücken is not spending less than an average city on these items as a response to citizen demand. Indeed, it should spend much more if people were more effective in expressing their priorities and monitoring government activities in following these priorities.

Second, the survey also indicated that despite the efforts of the city government, people are generally not aware of the options for participation. For example, there is a possibility in Saarbrücken to adopt a tree, a playground, a monument or something of a kind. The group or individual who adopts one of these entities has to take care of it with the help from a city department. Well over a half of Saarbrücken inhabitants, however, are not aware of this possibility (Amt für Statistik, Wahlen und Kundenberatung 2000). Another such example is Local Agenda 21, a worldwide local environmental protection initiative with which Saarbrücken joined in 1998. Drafting the Local Agenda 21 is supposed to be heavily driven by citizen participation and initiative, but 81% of people in Saarbrücken had never heard of Agenda 21 (Amt für Statistik, Wahlen und Kundenberatung 2000). These examples of how little people take notice of the local issues are signs of relatively inactive cooperation by the citizenry.

At the same time, over 40% of citizens would be ready to participate in local affairs. The biggest obstacles they see to it is that their ideas, proposals and opinions are not taken seriously enough. It seems to be a double-edged sword: on the one hand, citizens want to be taken seriously by the city government, on the other hand, they seem to be poorly organized in voicing their opinion so that it could be taken seriously by the government. According to city officials, the participation is not uniform across the population. It was also suggested that the norms of reciprocity were not well developed within the community (personal communication, April 9). It seems that in Saarbrücken the citizenry is not active enough *despite* the efforts of the city government.

It is difficult to assess the level of citizen activism in Giessen, as there is little information available about the city for an effective case study. Much like the apathetic government in the U.S. – Memphis –, despite multiple efforts to contact the city officials in Giessen, they failed to respond for a long time and finally provided answers only to selected questions from the query. As stated above, this fact itself is already an indication of the level of non-responsiveness, both bureaucratic and political, in this city.

Certain observations can still be made. First, the local government constitution (*Gemeindeordnung*) in Hesse does not provide as many possibilities for citizen participation as the constitutions of the other three cities. There is still the possibility for citizen gathering at least once a year and the right of petition, but this is basically all the constitution prescribes. Public meetings were the main method of citizen participation also mentioned in the responses given by the city officials. Participation on these meetings was reported to be selective: some people and groups seemed to be more organized than others. Citizens and local church organizations were seen as participants in solving local social problems, but economic issues were mostly influenced

by local entrepreneurs and business associations (city official, Giessen, personal communication, April 10, 2003). This indicates that there is not a broad-based but special interest based cooperation in local problem solving.

Furthermore, contrary to the other three cities Giessen does not have a separate office for citizen information (a one-stop-shop). In that sense, the citizens of Giessen are disadvantaged with regards to their possibilities to influence the decision-making in the city government. This, in itself, of course, does not mean that citizens could not mobilize and cooperate in their effort to express their preferences. At the same time, it expresses the overall attitude of the city government that is used to take action with little citizen engagement. A good example of this tendency is the ongoing large-scale project Giessen 2030. The objective of the project is to create a mission statement for the local government and to map the future development of the city until year 2030. One might think that such an initiative is pretty far-reaching and very topical for every citizen of Giessen. However, the whole planning process does not include any citizen participation (Stadt Giessen n.d.). More specifically, citizens are officially informed only about the outcomes of the project, i.e. once the mission statement has been developed by local government, universities, and entrepreneurs. Further, while in most cities the reform of local government has encompassed also more citizen orientation and increased the possibilities for citizen participation (Grömig 2001), Giessen has not prioritized these goals in their reform concept. This is probably due to the perception, as noted in the questionnaire response, that the government enjoys reasonable amount of citizen support already.

In conclusion, the general pattern of policy responsiveness coinciding with more active citizenry seems to hold on the basis of these cases. The surveys indicate that the citizenry is more participatory, engaged and active in Aachen and Frankenthal. In these two cities, several

examples of policies carried out as a result of citizen initiative could be described. In Frankenthal, this sort of participation has even been institutionalized into yearly citizen projects. In these two cities, the citizens have been active in cooperation and engagement in local affairs, but local governments have also been active in soliciting citizen participation. Thus, it is quite difficult to separate the direction of causality in the relationship between government activities and social capital based only on these two cases. The case of Saarbrücken sheds some light to this causality issue. The city government there has been devoted to increasing citizen satisfaction and lately also citizen participation. However, the city initiative in itself does not seem to be enough for increasing citizen activism and cooperation. The comparatively low level of policy responsiveness still corresponds to the comparatively low citizen activism in engaging in local problem solving in Saarbrücken. Thus, citizen activism may be more decisive in affecting the level of policy responsiveness than government's efforts to facilitate citizen input. The case of Giessen, although caution must be taken here due to lack of information, seems to confirm the association between low responsiveness and low citizen activism.

5.2.2.3 Alternative Hypotheses

As was the case with the American cities, alternative explanations of policy responsiveness also need to be considered for the four German cities. The statistical analyses in the previous chapter identified the institutional strength of the mayor as an important factor influencing the level of administrative effectiveness. This variable could not be held constant in the case studies: the institutional structure of the city governments varies considerably across the four cities. At the same time, no specific patter of relationship between these two variables can be identified on the basis of the four cases. The city with the strongest position of the mayor, Saarbrücken, is not as policy responsive as Aachen – the city with one of the weakest mayors (Cusack 1999). At the

same time, Frankenthal, that also has a strong mayor system of government scores high on responsiveness, contrary to Saarbrücken. The only city corresponding somewhat to the proposed relationship between the strength of the mayor and the level of policy responsiveness is Giessen. This city has a collective body – *Magistrat* – responsible for the political and administrative leadership of the city. The council elects the mayor but the latter is not superior of the other members of the *Magistrat*. Such an institutional structure in Giessen corresponds to the relatively low level of policy responsiveness in that city. However, in general, the relationship between policy responsiveness and the institutional structure of the local government in Germany cannot be conclusively confirmed here.

Another potential explanation of policy activism in some cities versus non-activism in others may be that the political makeup of the city council in more responsive cities has been largely left-wing supporting more public expenditure and government intervention in general. According to this hypothesis we should observe a long-term left party ruling coalitions in Aachen and Frankenthal, while Saarbrücken and Giessen should mostly have been ruled by right-wing coalitions. However, contrary to this expectation, both Aachen and Frankenthal have had right-wing majorities in their city councils most of the time in 1990s. In both cities, the Christian-Democratic Union (CDU), the biggest right-wing party in Germany, has won the plurality of seats in the past few elections. On the other hand, in Giessen and Saarbrücken the majority of representatives in the city council have been members of a left-wing party: the Social Democratic Party (SPD), the Green Party, or the Party of Socialist Democrats (PDS). Only as a result of the last election in 2001 did a CDU member become the mayor of Giessen. The mayor of Saarbrücken, however, has since 1989 been a member of SPD. The recent developments, in Saarbrücken have seen the emergence of a new CDU-Green coalition in the city council in

opposition to the SPD mayor. Thus, the political dynamics in these cities and their effect on the level of policy responsiveness is anything but clear-cut.

Further, cities can also differ in their level of policy responsiveness because of the level of socio-economic development and the city size: a better off city has more means available to spend, and a smaller city offers better possibilities for citizen meaningful participation and cooperation. Again, neither of these potential alternative hypotheses holds in the case of the four cities. The two cities that are comparable in size: Aachen (population of 250,000) and Saarbrücken (population of 200,000) exhibit a contrasting record in policy responsiveness. So do the other two cities, Frankenthal and Giessen that are also comparable in size: 50,000 and 73,000 inhabitants respectively. The level of wealth in the four cities is relatively comparable and might even be considered constant. All of these cities have the level of individual income at around the average of the western states of Germany. Of course, as the overall fiscal crisis of German local government unfolds, these cities are also suffering from current financial difficulties as responses from all four cities confirmed.

In sum, the potential alternative explanations of policy responsiveness in the four cities do not perform as effectively as the main hypothesis about the level of citizen cooperation, activism and participation in the local affairs. Again, caution has to be taken in interpreting the result of these case studies and no far reaching implications can be conclusively drawn from the four examples alone. However, they have well served the purpose of confirming the main theoretical argument and the statistical results presented in the previous chapter. Furthermore, the relationship is supported cross-nationally. That is, communities with high level of citizen activism have responsive governments both in the U.S. as well as in Germany. Also, for all eight

cases, no alternative explanation outperforms the role of social capital in determining government policy activism.

5.3 EFFECTIVE VS. INEFFECTIVE GOVERNMENT

5.3.1 The American Cases

The two cities scoring high on administrative effectiveness are Minneapolis and Virginia Beach. Both of these cities received an average grade of B+ for their financial, human resources, information technology, capital, and performance management from the Government Performance Project study (Barrett and Greene 2000). These good management practices of both cities have been recognized by other studies as well as national quality contests. Minneapolis has received credit for its "good government" and effective management (Fraser and Hively 1987, Nickel 1995). The city government of Virginia Beach takes pride in four different nationwide quality awards or recognitions for its effective management (Stackhouse 2002).

In contrast to these two effective cities stand Detroit and Memphis, both of which had a below average score on the administrative effectiveness dimension. The Government Performance Project found that Detroit suffered mostly from poor capital management, but could also considerably improve all other management sectors, while Memphis had a good record only in financial management (Barrett and Greene 2000). The interviewees also confirmed the low level of management capacity in both cities. Several people from inside and outside Detroit city government expressed their concerns about the administrative effectiveness of the city. As one city official put it: "All administrative reforms and managerial innovations are a sham. These are only buzzwords with no substance. There is no actual change in ways how the city is managed,

there is just rhetoric" (city official 4, Detroit, personal communication, January 23, 2003). Then interviewees found that the local bureaucratic process is very slow and needs reengineering. In his study of economic development in Detroit, Lawless (2002) reports that department heads criticize the quality and motivation of staff and the systems and personnel with which they work. DiGaetano (1999: 571) writes: "Certainly Detroit never developed a managerial governing structure."

These opinions were echoed in Memphis. People outside city government were concerned about the openness and transparency of their city. The interviewees inside government stated that there was little coordination between administrative units. The city seems to suffer mostly from poor human resources management that leaves a mark on the quality of the personnel. Dissatisfaction with city employees is clearly voiced by citizens in the Memphis Poll and was repeated by the interviewees. Also, the city is only now starting to develop performance measures and compare itself to other similar cities on certain outcomes (city official 4, Memphis, personal communication, August 11, 2003). At the same time, Memphis has had an excellent record in financial management, some of which can probably be attributed to the low level of public service provision in this city as discussed above. In sum, relative to each other, Minneapolis and Virginia Beach have built higher management capacity than Detroit and Memphis. The question that will further be explored is whether this observed difference could be attributed to the role of the city manager.

5.3.1.1 Minneapolis and Virginia Beach

The city of Minneapolis has a unique form of local government: a weak mayor-council system (in contrast to the more common strong mayor-council system). Such an institutional structure in itself poses an obstacle for effective management, as was pointed out by several city officials

(see also Barrett and Greene 2000). To a certain extent the weak mayor system resembles the council-manager form of government with the city council being the most important policy-making body. Following the council-manager scheme, the city of Minneapolis has created a position of city coordinator, who is appointing all of the non-charter department heads and, in practice, is also responsible for recruiting the charter (or operating) department heads, who are then appointed by the mayor. The city coordinator, thus, has substantial control over the internal management of the city. All city officials interviewed stressed the positive role of the city coordinator on the administrative effectiveness of the city government.

> "If there were no city coordinator, the whole managerial coordination would be very chaotic. We wouldn't be able to do what we are doing now in the field of performance management. The communication with the council would be sporadic and so on. Ideas about administrative reform either start or are coordinated through the city coordinator" (city official 2, Minneapolis, personal communication, February 5, 2003).

> "The position of the coordinator was created to increase efficiency and managerial coordination. The mayor is not an administrator; it is not where his strengths are. With good managerial coordination we have been able to secure good information technology management and good financial management, we are effectively reforming human resources management and improving performance measurement, long-term strategic planning and better budgeting. There would be a chaos if there were no coordinator" (city official 3, Minneapolis, personal communication, February 5, 2003).

Thus, in Minneapolis, the high level of management capacity is clearly attributed to the role of the city coordinator. As suggested by the title of the position, the greatest positive effect of a city coordinator is indeed coordinating between different management subsystems and communicating with the city council.

The case of Virginia Beach is very similar to Minneapolis in terms of the positive effects of a manager on administrative effectiveness. The city of Virginia Beach has a council-manager form of government, which resembles the weak mayor type of government in Minneapolis. The

city officials stressed the importance of this form of government for managerial innovation and effective implementation of administrative reforms. “The impact of the city manager on the way the city government functions, has been substantial” (city official 1, Virginia Beach, personal communication, August 5, 2003). The most frequently mentioned positive effect of a city manager was the ability to share information and coordinate resources between different departments. “Without the coordinating role of the manager, the department heads tend to become territorial and adversarial” (city official 2, Virginia Beach, personal communication, August 6, 2003). The city manager is also an important link between the city council and the city administrative units. The current manager, James Spore, “started planning retreats for the city council to set the next year’s agenda and gauge past performance. Today those sessions are standard practice” (Skog 2001). Some of the positive effects of the manager on the administrative effectiveness in Virginia Beach can, thus, be attributed to the specific person occupying the position. However, it is mostly the institutional structure that facilitates coordination and capacity-building in the government organization as stressed by the interviewees. The city is more committed to efficiency and business-like management, because the institutional structure of the government has freed the position of the leader of the administration from political incentives and invested the position with an incentive to build a reputation of an efficient manager. In both Minneapolis and Virginia Beach, the current coordinator and manager respectively have been recognized both locally and nationally (city official 2, Minneapolis, personal communication, February 5, 2003, Skog 2001).

5.3.1.2 Detroit and Memphis

The cities of Detroit and Memphis are even more similar in their institutional structure and governing histories than Minneapolis and Virginia Beach. Both cities have a strong mayor-

council form of government. The mayor is the major policy-maker as well as the chief administrator of the city. Being an elected official with such powerful position, mayor's incentives are clearly driven by electoral politics. Both Detroit and Memphis have long histories of machine politics dominated by authoritarian leaders distributing personal favors to their political supporters (Bockmeyer 2000, Darden 1987, Neill 1995a, Pohlman and Kirby 1996, Woodford 2001). This bred the culture of clientilism and corruption in city government (DiGaetano 1999, Pohlman and Kirby 1996). The interviewees in both cities stated that the legacy of this machine politics still lives and there is little emphasis on efficiency beyond popular rhetoric. In both cities, the mayor is supposed to initiate administrative reform and change in the way the organization is managed, but "the mayor simply has not recognized that it is important" (city official 3, Detroit, personal communication, January 23, 2003). Similarly in Memphis one interviewee stated:

> "The mayor is distant from management. His role is to appoint managers, department heads, but nothing beyond that. He does not take the role of the coordinator. The range of his interests includes some political issues, but not administrative efficiency" (city official 1, Memphis, personal communication, August 11, 2003).

Both cities have created a position for a chief administrative officer. However, in Detroit by the time of interviewing that position had existed only for 6 months and no one could comment on the effectiveness of this position. Some city officials expressed serious doubts about the extent of administrative power that the position of the chief administrative officer will be allocated and about the capacity of this officer to effectively coordinate the city management. In Memphis a similar position has existed for some time already, but the interviewees said that the CAO had no real administrative power: no power of appointment or any other mechanisms to enforce managerial coordination. "Division directors have all the administrative authority. The

previous CAO tried to pull things together, but with no success. The current CAO is part-time only and has almost no presence and voice in city management" (academic, Memphis, personal communication, August 11, 2003). Due to the fact that this position has no real standing within the administration, it has not attracted "good" managers. "There has been a lot of turn-over on this position. The CAOs have not been good managers, with the exception of perhaps the last CAO, they have been rather hands-off and have left the city government soon" (city official 2, Memphis, personal communication, August 13, 2003).

The role of the city council in both cities is rather muted. As no one really imitates the role of the manager as administrative advisors to the councils in Detroit and Memphis, the goal setting of these representative bodies has no policy outlet. "There is nobody to draw the link between the "what to do" and "how to do it"" (city official 3, Memphis, personal communication, August 11, 2003). Furthermore, as already stated, in both cities the mayor's commitment to administrative effectiveness is non-credible. For example, the city officials in Detroit stated:

> "We have performance measurement in place, but nobody is monitoring it. Nobody is challenging the measures that any department uses, which is why some measures are clearly substandard. Even if performance is measured, decisions are not made based on the measures. People are not promoted according to performance. Nobody enforces the implementation of the recommendations of the audit report etc. All this is the responsibility of the chief administrator – the mayor has to initiate change, but it is not happening" (city official 4, Detroit, personal communication, January 23, 2003).

Even the leadership change in Detroit in the beginning of 1990s with the election of a more managerially oriented mayor Dennis Archer did not bring the anticipated change in the city administration. *Crain's Detroit Business* (Ankeny, 1998b) reports "Ten months into the second term of Detroit Mayor Dennis Archer, some business and neighborhood leaders are asking: Can Archer tame the city's bureaucracy? More important, does he want to?" Another rather telling

example of the non-credibility of the political leader in managerial affairs is the fact that Detroit business leaders organized (and paid for) a benchmarking study of selected city operations. The results of the study were not pretty, several city departments were found to be dysfunctional. However, instead of publicizing and implementing the recommendations from the study, the city officials were hiding the study from the public (Ankeny 1998a 1998b). Except for prudent fiscal management, the credibility of the mayor to commit to the effective coordination of other management subsystems has been called to question also in Memphis (academic, Memphis, personal communication, August 11, 2003**,** *The Commercial Appeal*, February 4, 2000).

In sum, Detroit and Memphis stand in contrast to Virginia Beach and Minneapolis in their low level of management capacity. They also differ from the latter two cities by their institutional structure: neither Detroit nor Memphis has a functioning position of a chief manager. Furthermore, the case evidence from all four cities indicates that there is not only covariation between these two variables, but that there is reason to believe that the institutional structure has an impact on the way city is managed. More specifically, the four case studies allow concluding that the administrative power concentration in the hands of a city manager increases managerial coordination within government organization and facilitates the communication and cooperation between the city administration and elected officials. An elected administrative officers – the mayors – are less credible in their commitment to administrative efficiency and coordination due to their electoral incentives.

5.3.1.3 Alternative Explanations

As was the case with policy responsiveness and social capital, there are also potential alternative explanations for government administrative effectiveness. More specifically, the previous chapter argued that the socio-economic and demographic composition of a city as well as city

size might have an effect on administrative effectiveness. The latter was argued to increase effectiveness via the extent of knowledge and expertise available for the city while the socio-economic condition of the city determines the extent of more urgent demands on city government than building managerial capacity.

The size of the city *per se* does not provide a viable alternative explanation for the level of administrative effectiveness in the four cities considered, as all cities are roughly similar in size. Further, if socio-economic situation would put strains on city government and limited their ability to enhance managerial capacity, only Virginia Beach would appear as an efficient and effective city. Despite the issues with poverty and race (Goetz 2000, Martin 1989), Minneapolis has managed to become and stay effective, efficient and non-corrupt. The potential regional effect can be refuted easily this time: one of the effective cities is from north – Minneapolis – while the other is from south – Virginia Beach.

The main rival hypothesis to the administrative power concentration – the level of social capital – is also not correlated with administrative effectiveness in these four cases. Detroit is suffering from dysfunctional management despite its active citizenry, while Virginia Beach is a prime example of an efficient city without much citizen involvement. Indeed, the interviewees in all cities stated that there was no citizen pressure for administrative reform, innovation or managerial capacity building. Citizens are more interested in polity issues than city administration. One government official in Virginia Beach clearly stated: "The extent of public support for government or citizen activism has not much to do with administrative efficiency" (city official 3, Virginia Beach, personal communication, August 7, 2003).

In addition to these alternative explanations, the case studies provided information about other potential correlates of administrative effectiveness: the quality of the personnel and

turnover. Interviewees both in Virginia Beach and Minneapolis stressed the high quality and commitment of their employees. “We have good strong professional staff. We are able to attract people who like to accomplish things professionally. Turnover among department heads is very low” (city official 3, Minneapolis, personal communication, February 5, 2003). “We have a lot of talented people in government and a lot of people who want to get things done. Some of them have come from the private sector and have made their fortune already, now they want to do something that matters and they are very committed” (city official 2, Minneapolis, personal communication, February 5, 2003). Similarly, the interviewees in Virginia Beach stated: “Our city employees are very committed, they take pride in working for the government. The level of expertise among the leadership is also very high. The turnover is very small both among the city employees and management. This committed workforce has helped us to create the kind of integrated management system that we have” (city official 3, Virginia Beach, personal communication, August 7, 2003). On the contrary, the interviewees in Detroit and Memphis expressed concerns and complaints about the quality of the work force. “People do not have satisfactory understanding of their area and management. People are promoted to become department heads not on the basis of best practice but on the basis of the length of their tenure in city government” (city official 3, Detroit, personal communication, January 23, 2003). “The problem is in Detroit bureaucratic agencies. They are big and do not have enough skilled people. Operational competence is partly a manpower problem” (academic 1, Detroit, personal communication, January 23, 2003). An official in Memphis said: “The city uses a lot of temporary employees who are not committed. The quality and the skill-level of the city employees are, in general, low, especially in some departments. The general public is highly dissatisfied with city customer service. There is a lot of turnover in higher ranks of

administration, which is not good for carrying out reforms and for long-term commitment. Many department heads retire early and this creates loss of expertise and talent" (academic, Memphis, personal communication, August 11, 2003).

One might, thus, argue that in addition to the institutional structure of a government the quality of its personnel is also crucial for administrative effectiveness. The argument seems logical, as the administrative innovations designed by the management have to be implemented by all city employees. The literature on policy implementation is full of examples about how the best policies can become shattered by non-committed personnel who have to implement them. Also, in order to build long-term management capacity, certain stability within the administrative leadership of an organization is necessary. High turnover rates undermine this stability. However, while there is little doubt that the quality of personnel and government administrative effectiveness are related, it is not at all clear which of these is a cause and which is an effect. It may be that governments with high level of administrative effectiveness are more attentive to the working condition of their employees and willing to invest more in high-quality employees. It is very plausible that a manager, whose reputation depends on the efficiency and effectiveness of his or her organization is more concerned about investing in good people, while government organizations headed by a political leader care less about the city employees and more about voters. This clearly seems to be the case in Memphis that uses extensively temporary employees instead of investing in permanent and committed work force. The causality issue remains unresolved here, yet the case study method has clearly provided us with an additional explanation of administrative effectiveness difficult to capture with statistical analyses but worthwhile taking into consideration.

5.3.2. The German Cases

Since the beginning of 1990s, the idea of a broad-based administrative reform promoted mostly by the German local government association for management *Kommunale Gemeinschaftsstelle für Verwaltungsvereinfachung* (KGSt), has been spreading across the communities in Germany (Reichard 1997). These reform ideas have largely encompassed the New Public Management ideology of effectiveness, efficiency and performance. The implementation of the prescribed structural and procedural changes in administration is widely accepted as a prerequisite for administrative effectiveness (Bänner 2002). Interviews in the cities also confirmed this assumption: the cities that had implemented large-scale reforms reported considerable efficiency and effectiveness gains. The measurement of administrative effectiveness in Chapter 3 followed this line of thinking and considered the extent to which a city had implemented the reform tools in order to capture its level of administrative effectiveness.

The two cities scoring high on effectiveness are Aachen and Saarbrücken. These cities have been more active than an average city in modernizing their administrative structures. Indeed, Saarbrücken has also won a prestigious international quality award for its managerial innovations (Hill and Klages 1995). In opposition to these actively reforming and effective cities stand Frankenthal and Giessen that, although being influenced by the current administrative reform movement in Germany exhibit less commitment to implementing measures of efficiency and effectiveness in administration.

5.3.2.1 Aachen and Saarbrücken

The city government of Aachen has been an attentive student of KGSt. Aachen has not been one of the leaders of administrative reform in Germany, but it has implemented an impressive set of

measures of administrative effectiveness since 1996, covering such areas of management as finance, human resources, capital, and information technology. As a part of the overall reform, the organizational structure has been changed to make the administrative coordination smoother, and the tools for management for results have been implemented (Steuerungsdienst 1997).

Until 1999, the city of Aachen had a position of a city manager (*Stadtdirektor*) as an official head of administration. It was an appointed position, and this position alone was responsible for the administration in the city, while the mayor, also an appointed position, served as a symbolic political leader of the city. Since 1999, the mayor has been directly elected and due to such a direct mandate the powers of this position have been increased to also cover the issues of administration. Thus, the current mayor of Aachen serves as a political as well as an administrative head of the city. However, it is important to note that when the administrative reform initiative started, the city administration was still effectively led by the city manager. This served as a key to the coordination and successful implementation of the administrative reform (Stadt Aachen, 1999).

The key strategies in creating a more efficient and effective administration in Aachen were successful coordination between different organizational units and inducing cooperation from employees (Steuerungsdienst 1997, city official 2, Aachen, personal communication March 18, 2003). The endorsement of the reform effort by the mayor was necessary for the whole process to start off, but the subsequent coordination was mostly done through the office of the city manager and the department of personnel and organization. The continuous commitment by the leadership helped to overcome the skepticism that arouse among the employees about performance management and efficiency-enhancing measures such as cost-benefit analysis. If the whole modernization process had been delegated to the individual offices, the undertaking

would have lost its credibility in the eyes of the bureaucrats who actually had to work towards providing the end result: a more effective and efficient government (city official 1, Aachen, personal communication March 18, 2003).

The assessment on achieving the goals of more efficient and effective administration and better-motivated employees was mostly positive (city official 2, Aachen, personal communication March 18, 2003). One of the most important achievements was considered to be the clear functional difference between administration and politics. The pre-reform organizational structure in the city government was built to reflect the sectoral interests: every department was prioritizing their policy area. This, in turn, posed an obstacle for bureaucratic cooperation on the one hand, and allowed for political manipulation and credit-claiming on the other (city official 2, Aachen, personal communication March 18, 2003, see also Bänner 2002). The new results-oriented administrative system was more sensitive to citywide goals and made the effective coordination of one department to be in the interest of all the other departments as well (Stadt Aachen 1999). The central role in coordinating the results-oriented management has remained in the office of personnel and organization, despite the fact that the city manager does not serve as the sole leader of the administration any longer.

The other effective city – Saarbrücken – has been one of the leaders among German local governments in carrying out administrative reform. The reform process started already in 1991 and followed a somewhat different route from the one proposed by KGSt. The modernization in Saarbrücken followed the idea of total quality management (Hirschfelder 1998) that stresses administrative capacity and the quality of government outputs alongside with structural change.

The structure of the city government in Saarbrücken is set up as follows. It is a strong mayor system: the lord-mayor (until 1997 appointed by the council, currently directly elected)

serves both as the chairman of the council and the administrative head of the city. There are also six deputies to the mayor (*Beigeordneten*) who are appointed by the council, but enjoy little independence from the lord-mayor. In addition, there are department heads for staff functions, such as personnel and organization, legal issues etc. In the course of the reform the former office of personnel and organization was restructured into an administrative department (*Verwaltungsdezernat*) to coordinate the administrative functions in the city: financial management, controlling, marketing, and information technology management. The head of this administrative department is a professional manager. It is this department that has played a central role in the successful implementation of quality management in Saarbrücken (Broekmate, Dahrendorf, and Dunker 2001).

The initiation and implementation of the administrative reform in Saarbrücken has not been a painless enterprise. Even though the administrative leadership (*Gesamtverwaltung*) – the lord-mayor, deputies and administrative department heads – expressed their initial enthusiasm and understanding of the necessity of such a reform, their enthusiasm evaded as no immediate results occurred (Hirschfelder 1998).

> "The standard excuse among this administrative leadership was: we know we should do something, but we really do not want to, and we also do not have enough leeway to carry out any substantial reforms. Several members of the top leadership still believed in the "old methods" of developing bureaucratic competence and responsibility" (city official 1, Saarbrücken, personal communication, April 2, 2003).

This, in turn, bred skepticism among the bureaucrats about the usefulness of the reform.

> "Several bureau heads thought that people are already over-burdened by regular tasks and they should not be expected to commit to the quality improvement initiative voluntarily. Some others though that through continuous discussion people can always work towards quality improvement and no official total quality management was necessary" (city official 2, Saarbrücken, personal communication, April 2, 2003).

Politicians shared largely the view that the total quality management was a dead-end initiative (Lessel and Hirschfelder 1998). Thus, none of these actors alone would have been able to successfully complete the reform initiative and achieve an efficient and effective management.

At the same time, administrative department heads, especially the head of the administrative department for quality management (formerly the department of personnel and organization) recognized the great necessity for the total quality management activities to be institutionalized. The initiation and coordination of the reform as well as the subsequent steering of the on-going quality management has, thus, effectively taken place in this office (Hill and Klages 1996). The head of the administrative department has served to guarantee the cooperation by the administrative leadership and the bureaucrats and coordinated the implementation of the total quality management (Hirschfelder 1998). The coordination between the different actors involved in the reform process was understood as one of the key concepts of the reform in Saarbrücken (Hirschfelder 2000, Hirschfelder and Lessel 1994). Due to the fact that effective coordination was possible, the modernization could take place as a series of individual projects in different city departments with the engagement of employees in the reform process as decision-makers (within their own departments) and implementers (Hill and Klages 1996). In these projects decisions could only be made by unanimity, i.e. consensus and compromise had to be found.

A clear evidence of the centrality of the head of the administrative department for quality management in the modernization process is the fact that he has continuously distributed his expertise and knowledge to the academic and professional community about the experience in Saarbrücken (Hirschfelder 1997, 1998, 2000, Hirschfelder and Lessel 1994, Lessel and Hirschfelder 1998). Having such a special organizational unit as well as the institutionalized

administrative leadership made the implementation and continuity in the quality management possible (Hirschfelder 1997). Most importantly, it helped to continue with the modernization process despite the lack of immediate tangible results, that would have been much more difficult had the process been led by a political leader. Indeed, during the modernization process since the beginning of 1990s, the position of the administrative departments as the central units of management and coordination has strengthened and now constitutes the institutionalization of the on-going quality management (Hirschfelder 2000). The three main achievements of the reform have been: improved customer orientation, higher motivation by bureaucrats and increase in efficiency (Hill and Klages 1996: 22).

In sum, given the strong mayor form of government, Saarbrücken should not fit the theoretical argument made in the previous chapter. However, it is the administrative department and not the mayor that is responsible for steering and coordination of the administrative functions. This department has considerable leverage in administrative decision-making in order to induce the incentive from the leader of this department to build a reputation as a manager. As mentioned above, the current head of the administrative department has indeed built a national recognition as an effective manager. The example of the administrative reform in Saarbrücken confirms the theoretical argument that for a successful administrative reform, or more specifically, for the high level of administrative effectiveness, managerial leadership is essential.

5.3.2.2 Frankenthal and Giessen

Frankenthal started its administrative reform in 1995. In contrast to Aachen and Saarbrücken, the scope of the reform in Frankenthal was considerably less ambitious, hence its score on the administrative effectiveness. The city government has not been overly enthusiastic about pursuing efficiency and effectiveness, and the reform initiatives were mostly undertaken because

of peer pressure form other cities and local government associations (city official 1, Frankenthal, personal communication, March 19, 2003). Thus, the initiative came mostly from outside the organization, not from inside, already indicating a shortage of interested actors who could have coordinated the pursuit for efficiency and effectiveness.

Further, although there were several initiatives, such as controlling and effective reporting of results, these initiatives were not implemented mainly due to inadequate planning and prioritizing (city official 1, Frankenthal, personal communication, March 19, 2003). Frankenthal lacked a central position for a managerial leader who could have followed the flow and timing of different projects. However, the structural changes that resulted from the earlier stages of reform suggest that the city has increased its potential for effective administration. Namely, in 1998 an office of general administration was created that concentrates most of the central managerial functions of the city in one structural unit. The rationale for this change was to increase management coordination and efficiency (city official 2, Frankenthal, personal communication, March 19, 2003). The head of this unit has the potential of becoming the managerial leader similar to the example in Saarbrücken.

Giessen has not engaged in a local government reform in the similar manner as other cities. That is, it has neither introduced the New Public Management style reforms common in most German local governments nor designed its own efficiency and quality enhancing reforms as in Saarbrücken. Some small-scale efforts to improve efficiency have involved the adjustments of the operations of specific offices, such as the office of social aid. But the overall strategy has been to wait and see what happens in other cities that are implementing large-scale reforms (city official, Giessen, personal communication, April 10, 2003). This is even despite the fact that Giessen has been under fiscal stress as most other local government and the city officials feel the

need to increase customer orientation (city official, Giessen, personal communication, April 10, 2003). The biggest obstacle for the successful implementation of the reform was considered to be the political resistance. This observation complies with the evidence from other cities: administrative reform is usually not on the priority list of local politicians either because it does not provide immediate political payoffs (Bänner 2002, Kersting 1996).

Further, the small-scale efforts for efficiency in Giessen were not coordinated centrally: they were carried out in the specific offices with certain engagement of the office of personnel. The administrative leadership – *Magistrat*[41] – has not been triggering the reform effort, which might have been a reason for little commitment to enhancing administrative effectiveness and the small scale of the reforms. Evidence from other cities with a collective administrative leadership (*Magistrat*) indicates that there exist considerable conflicts between the staff or general-purpose departments and the functional departments. This conflict is best handled on the level of *Magistrat*, whereas delegating coordinating functions to an office at lower organizational level breeds skepticism and feelings of incompetence (Ridderbusch 1996). The lack of full engagement of *Magistrat* and its professional department heads might have worked against achieving support form the politicians as well as solving the conflicts between bureaucrats.

In sum, the stories of the four German cities on administrative effectiveness echo the stories of the four American cities in support for the hypothesis that managerial leadership is a necessary condition for ensuring administrative effectiveness. First, experience in almost all of these cities was that politicians generally lack the incentive to pursue administrative effectiveness. This has been convincingly argued also in previous studies on German local government efficiency and effectiveness (Bänner 2002, Ridderbrusch 1996). Second, the stories

[41] Magistrat is a collective administrative leadership consisting of mayor and department heads, where the former is not the superior to the latter. The department heads, and sometimes also the mayor, are professionals (Gunlicks 1986).

also indicate that managerial coordination is a prerequisite for successful engagement and cooperation of bureaucrats. This managerial coordination is most effective where a leader exists who can make credible commitments to the continuity of the administrative modernization effort and ensure positive payoffs for the participants.

5.3.2.3 Alternative Hypotheses

The political make-up of the council, the level of socio-economic development and city size could serve as potential alterative explanations of the cross-city differences in administrative effectiveness. The level of socio-economic development can effectively be held constant across the four cities as explained in 5.2.3.2. Further, financial difficulties are often cited as the reason for introducing more efficiency and effectiveness in administration. Saarbrücken reported fiscal crisis as one of the triggers of reform in their city, but so did Giessen and Frankenthal – the two cities that scored low on the overall scale of effectiveness. Thus, the effect of fiscal crisis at time t does not necessarily guarantee an efficient administration at time t+1.

The political make-up of the city councils in all four cities was also explained in section 5.2.3.2. If one assumes that right-wing parties are theoretically more committed to efficiency than left-wing parties, we should be able to observe right-wing majorities in the two effective cities: Aachen and Saarbrücken. In Aachen this has, indeed, been the case. In Saarbrücken the picture is mixed with an unconventional coalition between CDU (right-wing) and the Greens (left-wing) in the city council and a mayor who belongs to SPD. Also, Frankenthal scores low on administrative effectiveness despite long-term rightist majorities in the city council. Further, all cities except Frankenthal reported certain level of obstructionism from the politicians in the city government commitment to efficiency, regardless of the specific political make-up of the council.

The third alternative hypothesis, the size of the city, poses the only real challenge to the main hypothesis proposed in this study. It is especially challenging in the case study analysis, because it is almost impossible to determine to what extent the original relationship remains significant when an alternative hypothesis is accounted for. The four cities fit perfectly to the hypothesis according to which the larger the city the more actively it is pursuing effective and efficient administration. Indeed, Aachen and Saarbrücken are three to four times the size of Frankenthal and Giessen. Thus, the size of the city, via its effect on the availability of expertise and other necessary resources remains a valid alternative hypothesis to the role of the managerial leadership as a guarantor of effectiveness. Previous studies on German local government administration have also confirmed the effect of the size of the city (Klages and Löffler 1998, Wollmann 2000). However, it is generally acknowledged that it is not the sole predictor of the level of administrative effectiveness, and some forceful arguments made in the previous literature support the main hypothesis about the positive effect of the managerial leadership made in this study (Bänner 2002).

5.4 CONCLUSION

The cities selected based on the typology of governments exhibited considerable contrasts in both countries confirming that classification based on two dimensions of performance is a useful tool for comparing governments. The case studies provide a good illustration about how the two dimensions of government performance relate. The best outcomes perhaps occur in Minneapolis, lauded as having a good government both in terms of its policy decisions as well as in terms of management strategies. Poor administrative effectiveness can cost a government its image; especially on the local level where the way government does its business is more visible. This

would explain contrasting images of Detroit on the one hand and Virginia Beach and Saarbrücken on the other, although all of them are scoring high on one dimension of performance only. Low score on both dimensions seems to threaten not only the image, but also the well-being of the population.

Overall, the examples of the eight cities from two different countries tell a similar story. Communities with high levels of citizen activism have more "caring" governments both in the U.S. and Germany. Similar results in both countries indicate that the relationship is robust not only against alternative explanations considered above, but also against the cross-national differences between the U.S. and Germany. Further, government organizations that have concentrated administrative power in the hands of a politically neutral manager enjoy high level of administrative coordination, efficiency and effectiveness. Again, the cross-national differences do little to undermine the relationship. Institutions matter for government administrative effectiveness both in Germany as well as the U.S.

The conclusions based on the qualitative analysis should be taken with certain reservations as the case material may have been selective and is definitely not complete especially for the German cases. However, as here the case studies are not the sole source for drawing inferences, but, rather, serve the purpose of providing complementary evidence to the statistical analysis, it is still noteworthy that the stories of the eight cities unfold in confident support for the hypothesized relationships. Case studies may be less powerful for testing any theoretical arguments, in the current case their power rests in providing an illustration of the relationships and causal mechanisms that is more tangible than an abstract large-N analysis.

6. CONCLUSIONS AND AVENUES FOR FURTHER RESEARCH

This study explored the role that social capital and institutional structure play in determining the performance of governments in Germany and the U.S. The exploration was inspired and guided by the theoretical and empirical writings of scholars whose work articulates two competing explanations of government performance. I have developed measures of government performance for both countries and showed that these measures can be reduced to a clear two-dimensional pattern on the basis of the contrast between the policy performance and administrative performance of a government. The analyses in previous chapters have traced the connections between the civic activism, the organizational structure of a government and the level of performance on either dimension. In this chapter I recapitulate my earlier findings and discuss where to go from here, i.e. consider the issues for further research.

6.1 CAPACITY VS. PERFORMANCE

The study presents three major findings. The first is that the enormous variety of policies, procedures and rules that we find in governments and that make up their capacities can be effectively reduced to a clear two-dimensional pattern on the basis of the contrast between what governments do (policy performance) and how they do it (administrative performance). Administrative effectiveness captures the extent to which the internal operations of a government are conducted efficiently and promptly. It comprises the components of effectiveness of

managerial strategies. Policy responsiveness, on the other hand, captures the extent to which a government allocates and mobilizes resources for various types of societal needs. It is concerned with government policy choices and outputs. These dimensions are separate, but not entirely divorced as both of them are expected to contribute to the outcomes of government activity that affect people's lives. The purpose of this study was to explain what determines the type of government that emerges based on the two dimensions of performance. Further research could also consider the "so what?" question: What is the role of these government capacities on both dimensions for the actual societal outcomes, for the quality of life?

The reason for choosing capacity rather than performance measures in the first place was that the usual outcome measures described in Chapter 2 – the measures influencing quality of life, such as crime rates, levels of infant mortality, poverty, clean environment etc. – are not solely determined by government policy. Many influences upon the economy and quality of life are outside the control of even national governments, let alone subnational ones that clearly depend on policies made on other levels of government and by neighboring local governments. However, it is intuitively appealing to consider outcome measures as measures of government performance. Furthermore, it is intriguing to find out whether and which government capacities matter for improving quality of life.

It is not the purpose of this study to develop a full theoretical model about the linkage between government capacities and performance. As stated, this would be an interesting avenue for further research and only some preliminary evidence can be presented here. Arguments existing in literature state that both policy responsiveness and administrative effectiveness should be important for outputs and impacts on society. The equal importance of both capacities for democratic governance has also been asserted by democratic theorists (Dahl 1967, 1971).

Cross-national comparative studies have established a robust relationship between government policy outputs and the quality of life. That is, governments with well-developed welfare states produce better system outputs and higher quality of life for their citizens (Lijphart 1999, Wilensky 2002). The theoretical basis for this correlation is intuitive: government intervention in terms of spending and regulation provides a more equitable allocation of resources among people, and produces public goods that otherwise would be under-produced. In other words, it is just logical to expect that government policies produce the effects that they are intended to produce: welfare policies alleviate poverty, environmental policies reduce pollution, safety policies reduce crime etc.

The link between administrative effectiveness and societal outcomes is less straightforward. As explained in Chapter 2, students of public administration argue that organizations meeting the criteria of effective administration have the capacity to be high performing. That is, poorly developed structures and processes inhibit the ability of government to act effectively, efficiently and responsively (Barrilleaux, Feiock, and Crew 1992, Bowman and Kearney 1988, Ingraham and Donahue 2000, Ingraham and Moynihan 2001, see also Meier 1994, O'Toole 2000, Rainey and Steinbauer 1999). Although, to my knowledge, no empirical tests have been performed on the relationship between administrative effectiveness and societal outcomes, the arguments presume that the actual effect of government policies is conditional upon the effectiveness of governing structures. Thus, in terms of outputs, administrative effectiveness should have a positive effect on increasing quality of life since if there is no capacity for administration and implementation, desired outcome of government policies is very unlikely.

In order to take a preliminary look at the empirical patterns of capacity and performance, I have assembled data on the U.S. local governments on the following outcome measures: infant mortality as an indicator of public health (deaths per 1000 births), crime rate (number of serious crimes per 100,000 people), poverty level (share of families with incomes below poverty level), and environmental pollution (index computed based on the annual mean of carbon monoxide and particulate matter air concentration).[42]

Table 6.1 presents bivariate correlation coefficients for different components of policy responsiveness and administrative effectiveness in their relation to the four outcome measures. The results are surprising. On the first hand, the measures of policy responsiveness perform as expected. That is, expenditure on public safety and housing/community development are associated negatively and significantly with almost all outcome indicators. Higher spending on both of these items is associated with lower infant mortality rates, lower crime rates, decreased poverty and lower levels of pollution. Although both of these expenditure items are in theory not necessarily related to all of the output indicators, both of them most probably correlate with higher levels of government spending in general, which is why we are able to detect the positive effect of spending on these items on a broader range of quality of life issues. The number of economic policy tools employed by a government has no significant association to any of the outcome measures: all correlation coefficients are close to zero, which is why it is also difficult to infer the direction of the relationship. This indicator of government capacity has perhaps more important influence on economic development and growth, difficult to measure on the local government level. The sign of the relationship between policy innovation and different outcome

[42] Unfortunately, no equivalent measures were available for Germany. The data are coded from U.S. Bureau of the Census (2000) for 1998.

Table 6.1 Bivariate Correlations Between Capacity and Outputs

	Capacity								
	Policy responsiveness				Administrative effectiveness				
Outputs	Safety spending	Housing spending	Economic policy	Policy innovation	Financial mgmnt	Human resources mgmnt	IT mgmnt	Capital mgmnt	Mgmnt for results
Infant mortality	-.474***	-.199	.018	-.111	.376**	.137	.138	.469***	.219
Crime rate	-.230*	.006	.016	-.093	.001	.049	.397**	.277	.016
Poverty	-.190	-.300***	.017	-.279*	.448***	.374**	.206	.408***	.210
Pollution	-.295**	-.313**	-.014	-.047	-.096	.075	.030	.115	.068

Note: *p< .1, **p< .05, ***p< .01, one-tailed; N = 35.

measures is negative indicating the positive effect of this capacity measure on quality of life issues. Only one of these coefficients, however, is statistically significant. Overall, government policy choices tend to be associated with outcomes in the right direction and often this association is significant.

The story of the administrative capacities is, however, confusing: an overwhelming majority of coefficients are positive and several significantly so. That is, communities with high level of government financial management, human resources management and capital management capacities also have higher poverty levels. Further, crime rates are high in communities with efficient information technology management. These results seem counter-intuitive. One would have expected there either to be a negative relationship or no relationship at all. One way to interpret the result is to think of increased managerial capacity as a result not a cause of societal outcomes. That is, governments observing appalling situation in terms of public health, crime or poverty may have found it necessary to streamline their administrative processes in order to better tackle with these problems. Several interviewees in the city of Minneapolis, for example expressed this kind of urgency. The strength of the effect of government policy choices on outputs may also be conditional upon the administrative capacity. In that case, there is no sense to study the direct correlations between outcomes and administrative capacity, but to consider its interaction with the policy responsiveness indicators.

The arguments remain speculative here, and no firm conclusions can be drawn based on bivariate correlations with a limited number of cases from one country. The main purpose, however, has been to illustrate the importance of investigating the relationship of government capacity to govern and respond to societal needs to the actual outcomes that affect people's lives and quality of the community. The results of this study become even more meaningful once we

have a better understanding what impact government performance, however measured, is not only supposed to have but actually has on the lives of the people.

6.2 A CROSS-NATIONAL PATTERN?

The second important conclusion has to do with the alternative, and often competing explanations of government performance. Using the two-dimensional measure of government performance, I have been able to show that cultural and institutional variables are associated with the two dimensions differently. The level of government policy responsiveness is most strongly associated with social capital. Both the quantitative and qualitative analyses show that in more civic communities, people are able to pressure governments for more equitable and favorable distribution of public goods and services, whereas in less civic communities governments are passive. Further, this effect is not produced, contrary to what the enthusiasts of the idea of civil society sometimes seem to imply, by social capital alone. The institutional structures of government and what was most evident from the case studies, the underlying principle of universal citizenship, play an equally significant role.

Further, the smoothness of government internal operations is independent of the level of civic activism and commitment. Rather, better performance on this dimension is associated with the institutional structure is able to induce cooperation. The third conclusion of the study is related to the previous one: reconciling the competing causal mechanisms linking social capital to government performance. The finding that social capital is related to only the policy responsiveness dimension of government performance supports the causal argument according to which social capital increases the level of political sophistication and facilitates the cooperation within society, helping people to voice their policy demands better. Further, the fact that the

analyses find no empirical link between the level of social capital and administrative effectiveness implies that a competing causal argument linking social capital to government performance via the behavior of bureaucratic elites is incomplete.

The strength of these conclusions lies in the confluence of independent streams of evidence used in the study. Statistical analysis allowing simultaneous comparison of many different governments was used to reveal the general patterns of relationships between government performance, social capital and institutions. The evidence was then complemented with insights from disciplined field observation and case studies. The latter helped to create the stories about how the different types of government fit together and adapt to their environments. In the end, the evidence and insights complemented and supported each other rather well, increasing the confidence in conclusions.

Even more important than the methodological triangulation, has been the cross-national comparative aspect of the study. Essentially, this study has followed the most different systems design (Przeworski and Teune 1970). The attempt has been to determine how robust the relationships among government performance and its explanatory variables are – do they hold up in varied places? The fact that I was able to detect similar relationships across two systems – Germany and the U.S., different in many important aspects including the autonomy of subnational governments and the level of civic activism – increases the confidence that the relationships are true and not produced by some unmeasured variables that exist within one system.

Of course, any comparativist would be intrigued to find out whether similar patterns of relationships also emerge on a cross-national analysis. That is, does social capital have a different effect on government policy responsiveness than on government administrative

effectiveness on the national, rather than only subnational level? Making this argument and testing it would be another interesting avenue for future research and would also help to strengthen the generalizability of the results and draw more powerful conclusions.

The general theoretical argument developed in this study is mostly derived from the individual level behavior, and, thus, should be applicable to levels of government other than sub-national. That is, it is possible to argue that the level of civic activism has a positive effect on the governmental provision of public goods and services also on the national level. The causal argument would remain the same: social ties and trust among people helps to overcome the collective action problem in pressuring government for more equal distribution of life chances. One limitation still applies: Theoretical arguments have been developed for advanced democracies only and there is no attempt to stretch it to cover countries with different forms of government and levels of economic development.

As was the case with the sub-national governments in Germany and the U.S., we would expect this effect to be complemented by an institutional structure conducive to accommodating different societal interests and consensus building. This is in line with previous research that has found a strong positive relationship between consensus democracy and government policy provision (Crepaz 1996, Lijphart 1999). Furthermore, it would also be possible to test whether social capital is associated with government administrative effectiveness on the national level. The institutional structure conducive to increased coordination within government organization could, again, be approximated with the measure distinguishing between consensus and majoritarian democracies (Lijphart 1999).

Without developing a full model of the determinants of government performance on the national level, I will present preliminary evidence of such an analysis using data from 22 OECD

countries. For the dependent variable of administrative effectiveness I will use the governance indicators developed by the World Bank Institute (Kaufmann, Kraay, and Mastruzzi 2003, Kaufman, Kraay, and Zoido-Lobaton 1999a, 1999b). The cluster of indicators labeled "government effectiveness" comprising such indicators as the quality of bureaucracy, the competence of civil servants, the independence of civil service from political pressures, and the credibility of government's commitment to policies, will capture the administrative effectiveness dimension of government performance. The data for creating these measures were collected on polls of experts and public opinion surveys (see Kaufman, Kraay and Zoido-Lobaton 1999a, 1999b for more full description of the data sources and coding). The cluster indexes were computed with the help of an unobserved components model. The final scores are standardized with a mean 0 and standard deviation of 1. The World Bank data are available for multiple years; I will use the indicators for 1998.

The measure for policy activism can be approximated by using the general level of government expenditure as a percent of GDP. The measure captures the extent of public goods and services provided by government, and its willingness to produce what Lijphart (1999) calls "a kinder, gentler democracy".[43] Social capital is measured by the level of trust computed from the World Value Study.[44] In order to create more realistic models, additional controls are introduced: administrative effectiveness may be influenced by the level of economic development[45], and partisan composition of government.[46] While the measure for policy activism

[43] The expenditure measures are coded from Easterly and Sewadeh (2002) for 1998.

[44] The measure is based on answers to the question "Do you think most people can be trusted?" I computed percent of respondents expressing agreement as the measure of the level trust in a country.

[45] Economic development is measured by GDP per capita for 1998. The data come from Easterly and Sewadeh (2002).

[46] Partisan composition of government is measured by the share of cabinet seats by social-democratic and other left parties, coded from Armingeon, Beyeler, & Menegale, (2000) for 1994-1998.

is already weighted by the level of economic development, it may be influenced by the partisan composition of government, federalism, and the size of the country.[47]

Table 6.2 The Effect of Trust on Government Performance

	Policy activism	**Administrative effectiveness**
Independent variables	**b (SE)**	**b (SE)**
Trust	23.579** (10.281)	.968 (.750)
Consensus democracy	2.438* (1.353)	-.085 (.080)
Left party in government	3.228*** (1.106)	.075 .061)
GDP per capita		.0063** (.0027)
Federalism	-.823 (.775)	
Population (logged)	.748 (.836)	
Constant	27.928*** (9.642)	.125 (.308)
R^2	.495	.561
N	22	22

Note: *p< .1, **p< .05, ***p< .01

[47] Lijphart (1999) coding of countries on the federal/unitary dimension is used. The size of the country is measured by the population, coded from Easterly and Sewadeh (2002).

Table 6.2 presents the results of two regression models: the association of both responsiveness and effectiveness with social capital and controls. This very crude analysis seems to corroborate the hypothesis that social capital is a relevant predictor of certain aspects of government performance: it has a significant positive relationship with government policy activism and not with the quality of bureaucracy also in the case of cross-country analysis. Of course, more careful modeling and theorizing is necessary about the institutional and cultural effects on government performance on the national level, however, the preliminary pattern detected here at least points to potential relevance of the arguments developed in this study for comparative government and politics.

6.3 IMPLICATIONS

The conclusions driven from the main results of the study have several important implications. First, recent debates about the trends in civil society have often featured the view that the growth of the welfare state has diminished social capital and that public policy has crowded out private initiative (Berman 1997a, 1997b, Fukuyama 1995). The findings of this study, however, support the opposite view. That is, I have found a *positive* relationship between social capital and government performance. Thus, if anything, the government activism may have helped to sustain social capital rather than eroding it. Furthermore, arguing that social capital and the extent of government service provision are positively related is not an articulation of an ideological belief, as the results of the analyses presented here clearly suggest a state-society synergy in societal welfare provision (see also Evans 1996). Students of comparative politics may not consider this finding too counter-intuitive: social capital appears to be the highest in countries where government is actively involved in service provision, consider the Scandinavian welfare states

(Putnam 2000, 2002a, 2002b, Rothstein 2001). While the issues of causality between policy responsiveness and social capital remain unresolved in this study, it is perhaps not wrong to assume mutual positive reinforcement between these variables. Trust and civic activism may lead governments to distribute public goods and services more equally. At the same time, redistributive and other policies can encourage solidarity, both symbolically and practically. Further, as the Minneapolis example well illustrated, public policies can be designed specifically to encourage community volunteering. Previous studies have argued that given its cultural and historical embedment, the prospects of increasing the level of social capital, and consequently the level of government performance, are bleak (Knack 2002, Putnam 1993). Government reinforcement of social capital by implementing more equalitarian policies may be the necessary boost to get the virtuous cycle of civic activism and government performance spinning.

Second, moving away from the uni-dimensional concept of government performance helps to recognize that cultural determinism has not the monopoly over making governments work. The results of this study also suggest that administrative effectiveness, the smoothness of the internal operations of a government can and should be designed. The efforts of administrative modernization are not necessarily doomed to failure in less civic communities, as such modernization does not directly depend on the social resources of trust and mutual reciprocity. It is more important to create an institutional incentive structure for inducing cooperation and for developing a functional and efficient organization. This policy implication is very important as it turns our attention away from enduring cultural syndromes as the only means for advancing the performance of governments, and brings more attention to a flexible variable – the design of governments – as a factor influencing performance.

In sum, government influences people's lives in two ways: by the policy decisions it is making and by the way it carries out these policies. This study has shown that politics and administration form two sides of the performance coin, but it has also argued that, as usual with coins, these sides bear different imprinting. The sweeping argument of the unprecedented power of social capital to make democracy work acquires much clearer and more plausible boundaries if it is not forced to explain both aspects of government performance. Indeed, that trusting and socially active community can persuade democratic governments to provide more goods and distribute them more equally is intuitive, while making the capacity of public administration conditional upon social capital is not. After all, administration can be efficient and effective in democratic as well as in non-democratic societies, where social capital has no way to manifest itself on the governing arena. Rather, institutions as incentive structures shape the processes within the government organization. Building civicness and building institutions are, thus, the two complementary ways to influence what governments do and how they do it.

APPENDIX. INFORMATION ON INTERVIEWS

INTERVIEWEES

Detroit
City official 1, January 23, 2003
City official 2, January 24, 2003
City official 3, January 23, 2003
City official 4, January 23, 2003
Council Member 1, January 24, 2003
Council Member 2, January 24, 2003
Academic 1, January 23, 2003
Academic 2, January 30, 2003
Academic 3, January 31, 2003

Minneapolis
City official 1, February 3, 2003
City official 2, February 5, 2003
City official 3, February 5, 2003
Council Member 1, February 3, 2003
Council Member 2, February 3, 2003
Council Member 3, February 3, 2003
Council Member 4, February 4, 2003
Community leader, February 3, 2003

Virginia Beach
City official 1, August 5, 2003
City official 2, August 6, 2003
City official 3, August 7, 2003
City official 4, August 5, 2003
Council Member 1, August 6, 2003
Council Member 2, August 6, 2003

Memphis
City official 1, August 11, 2003
City official 2, August 13, 2003
City official 3, August 11, 2003
Community leader 1, August 11, 2003
Community leader 2, August 11, 2003

Community leader 3, August 13, 2003
Community leader 4, August 13, 2003
Community leader 5, August 13, 2003
Academic, August 11, 2003

Aachen
City official 1, March 18, 2003
City official 2, March 18, 2003
Council Member, March 18, 2003

Saarbrücken
City official 1, April 2, 2003
City official 2, April 2, 2003

Frankenthal
City official 1, March 28, 2003
City official 2, March 28, 2003

Giessen
City official, April 10, 2003

INTERVIEW QUESTIONS/TOPICS

Administration
1. From where and how does administrative innovation originate?
2. What are the factors that facilitate and hinder efficient administration in Your City? Why?
3. Please, bring specific examples of successful management innovations and describe how they came about.
4. What has improved as a result of these innovative measures in city management?
5. How would you evaluate the performance of your city government?
6. Who and/or what determine the policy agenda in the city?

Elected officials
7. How are civic groups involved in policy-making?
8. Who are these civic groups (business, neighborhood, special interest, other) and what are their main interests?
9. Is your community organized? Are there groups that are better organized?
10. Please bring specific examples of policies or programs that emerged solely or mostly due to community initiative (or were kept from emerging due to that initiative)?
11. Are there a lot of conflicting interests in the community? Is it easy to reach compromise about local issues?
12. Are there a lot of personal contacts with council members? What are the main reasons for contacting city officials?

Community Organizations

13. Are residents active in participating in Your Neighborhood/Community/Voluntary Organization?
14. Are local government agencies responsive to your organization/ to people's encounters?
15. What kind of people participate in Your Organization?
16. What is the relationship between Your Organization and the local government?
17. Does Your Organization exist to fill the gaps left by government activity or to support the activity?

Note: This is a rough segmentation of topics according to the interviewees. Interviews with academics covered most of these topics. Depending on a specific interview, additional questions may have been asked.

QUESTIONNAIRE (distributed to the four German cities)

1. What do you think are the most important problems facing this community now (please provide key words)?

2. For each of the following areas please check whether they currently present for your community a very serious problem, a somewhat serious problem, or no problem.

	Very serious problem	Somewhat serious problem	No problem
Quality of education			
Unemployment			
Poverty			
Health services			
Housing			
Improvements in public infrastructure			
Recreation and culture			
Public safety			
Environmental pollution			
Social services and welfare			
Costs of local government			
Asylum seekers			
Efficiency of local administration			
Local government finance capacity			
Other (please specify)			

3. Please check the areas where in the last two or three years effective action, some action but with no success, or no action was taken within your community.

	Effective action	Some action but with no success	No action
Quality of education			
Unemployment			
Poverty			
Health services			
Housing			
Improvements in public infrastructure			
Recreation and culture			
Public safety			
Environmental pollution			
Social services and welfare			
Costs of local government			
Asylum seekers			
Efficiency of local administration			
Local government finance capacity			
Other (please specify)			

4. Which of the following often come with proposals for solving local economic problems? (You can check off more than one of the possible answers.)

Party organizations □
Local community citizen initiatives □
Regional professional organizations □
Regional economic groups, chamber of commerce etc. □
Local business people and entrepreneurs □
The city government bureaucracy □
Colleagues in neighboring cities □
A government al bureaucracy at a higher level (Land or Bund) □
The city council □
Local newspapers □
Unions □
The public in general □
Local church groups □
Other (specify) □

5. Please provide specific examples of such proposals.

6. Which of the following often come with proposals for solving local social problems? (You can check off more than one of the possible answers.)

Party organizations	☐
Local community citizen initiatives	☐
Regional professional organizations	☐
Regional economic groups, chamber of commerce etc.	☐
Local business people and entrepreneurs	☐
The city government bureaucracy	☐
Colleagues in neighboring cities	☐
A government al bureaucracy at a higher level (Land or Bund)	☐
The city council	☐
Local newspapers	☐
Unions	☐
The public in general	☐
Local church groups	☐
Other (specify)	☐

7. Please provide specific examples of such proposals.

8. Which of the following groups have leading influence on the local economic policy? (You can check off more than one of the possible answers.)

Party organizations	☐
Local community citizen initiatives	☐
Regional professional organizations	☐
Regional economic groups, chamber of commerce etc.	☐
Local business people and entrepreneurs	☐
The city government bureaucracy	☐
Colleagues in neighboring cities	☐
A government al bureaucracy at a higher level (Land or Bund)	☐
The city council	☐
The mayor	☐
Local newspapers	☐
Unions	☐
The public in general	☐
Local church groups	☐
Other (specify)	☐

9. Which of the following groups have leading influence on the local social policy? (You can check off more than one of the possible answers.)

Party organizations □
Local community citizen initiatives □
Regional professional organizations □
Regional economic groups, chamber of commerce etc. □
Local business people and entrepreneurs □
The city government bureaucracy □
Colleagues in neighboring cities □
A government al bureaucracy at a higher level (Land or Bund) □
The city council □
The mayor □
Local newspapers □
Unions □
The public in general □
Local church groups □
Other (specify) □

10. Local communities confront a variety of problems and the responses to these problems may differ across communities. How would you characterize the situation in your community?

A majority of citizenry is highly engaged in joint efforts to solve local or other problems □

The extent of citizenry engagement in joint efforts to solve local and other problems is at best mixed, with a small part of the population engaged and the rest unengaged □

There is very little if any citizen engagement in efforts to solve local and other problems □

11. Compared to five years ago, is the participation of citizens in local affairs today greater, about the same, or less?
Greater □
About the same □
Less □

12. The amount of trust that one finds across communities differs significantly. Which of the following would be the most appropriate characterization of your local community?

The people in my community are generally mistrustful of each other □

The degree of trust and mistrust in my community is relatively equal □

The people in my community have a high degree of trust toward one another □

13. To what extent would the following statement fit your community? “I’ll do this for you now, knowing that somewhere down the road you’ll do something for me.”

This is an appropriate characterization of nearly all of the citizens in my community □

This applies to a majority of the citizens in my community □

This applies to a minority of the citizens in my community □

This applies to very few citizens in my community □

14. Are you very satisfied, somewhat satisfied or not at all satisfied with the following aspects of the activities of your city government?

	Very satisfied	Somewhat satisfied	Not at all satisfied
Feasibility of local projects			
Administrative coordination in your city government			
Qualification and diligence of the personnel in your city government			
Financial management			
Policy priorities of your city government			
Openness to consultation with local community organization			

15. Are you a member of the City Council □
a member of the city administration □

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