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A REFLECTION ON HERBERT SIMON
A Satisficing Search for Significance

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The loss of a major scholar such as Herbert Simon stuns many of us into reflection and reminiscence. Many statements about such matters come from close colleagues and former students, but it seems quite appropriate that concerning someone like Simon this very personal statement comes from someone with no direct acquaintance with him. I met Simon for about 5 minutes once, noting silently to myself that I had not spent much of my professional life hobnobbing with Nobel prize winners, and I heard him make two brief talks. He served, nevertheless, as a salient presence in my professional life as he has for many others, critics and supporters alike. His passing away sets one to thinking about his significance to administrative theory and his influence on us as individuals.

It is appropriate for someone personally distant from Simon to comment about him because one of his most impressive achievements came from the breadth of his impact across many disciplines and topics. Simon received recognition and awards for influence on economics, political science, public administration, business administration, organization theory, decision sciences, computer science and artificial intelligence (using computers to make decisions formerly considered the exclusive province of humans), psychology, and other fields.[1] He influenced a lot of people who would not recognize him in passing on the street. In a review of his autobiography (Rainey, 1991), I said that a committee should write the review because most of us do not have the range to assess his work in all the different areas where he contributed. I tried to characterize the richness and breadth of his intellect and experience by simply recounting some of the topics covered in his description of his career:

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> Simon's scientific and scholarly achievements, the nature of inquiry and research, the process of advancing and defending major intellectual contributions, the role of the computer in analysis of human cognition, Simon's youth and intellectual development, his personal and working life, the politics of public policy towards science, university politics and administration, higher education and teaching, the McCarthy era, student unrest on campuses in the 1960s, the positioning involved in advancing candidates for the Nobel prize, Simon's recollections from his presence in Beijing during the Tiananmen Square violence, and other aspects of Simon's multifaceted erudition and intellectual life. (Rainey, 1991, p. 92)

In reading the autobiography, I was struck by the amount of time and energy Simon had devoted to intellectual jousting with critics. He debated, among others, Dwight Waldo and Chris Argyris in *Public Administration Review.* He disputed economists who sought to dismiss his bounded rationality concepts as too focused on microcosmic psychological processes rather than economic processes and outcomes across a large economy. He had to contend with ethicists who attacked his work on artificial intelligence as dehumanizing. His career illustrated the point that the more challenging and significant one's intellectual presence, the more one becomes subject to attacks and criticisms. Other scholars can make a career out of a minimally successful challenge to a truly major scholar's positions. Simon appeared to revel in this process, or at least to draw energy from it.

In one of his books, Sigmund Freud places himself in a line of influences on human self-perceptions running back through Copernicus and Darwin. Humankind reviled him as they had reviled these predecessors of his, Freud said. Copernicus had deprived humans of the belief that the earth was the center of the universe, and Darwin deprived us of the claim that we are exalted among animals. Now Freud, with his ideas about the unconscious mind, had come "to prove to the 'ego' of each of us that he is not even the master in his own house" (Freud, 1924, p. 296).[2] Later, in *Science and Human Behavior*, B. F. Skinner (1953) placed himself in this same line of profound challengers of human self-conceptions due to his claims about our ability to shape human behavior through operant conditioning. Without expressing any awareness of Freud's and Skinner's propensity to queue themselves up in the cavalcade of intellectual greatness, Simon (1991) made a similar claim, saying of himself and his coworkers on artificial intelligence that "in arguing that machines think, we are in the same fix as Darwin when he argues that man shares common ancestors with monkeys, or Galileo when he argued that earth spins on its access" (p. 273). Whether Simon's work on artificial intelligence rises to this epic significance remains to be seen, and necessarily seen by someone else, because as noted earlier I am not able to assess those developments at present. The obvious potential for artificial intelligence, however, suggests that Simon's and his colleagues' contributions may well be as dramatically important as he sensed. For this present reflection, however, they suggest a prescience on his part, an ability to perceive potential to which I will return below.

Assessing Simon's influence on other, more accessible topics also raises challenges. For those of us interested in Simon's influence on public administration, he typically receives credit for having drastically changed the approach to administrative analysis in that field through his critique of the Administrative Management School. He also published, with Smithburg and Thompson, a much-admired text on public administration (Simon, Smithburg, & Thompson, 1950). He typically receives credit for his ideas about bounded rationality and "satisficing." Texts in public administration will often describe his more general influence on organization theory, too, especially through his book with James March, *Organizations* (1958/1993). Because public administration scholars have an interest in organization theory, this influence passes through to public administration.

Concerning his attack on the Administrative Management School, the typical recounting holds that the leaders of that movement, such as Luther Gulick, sought to develop principles of administration, and Simon discredited this approach (e.g., Hammond, 1990; Henry, 2001; Rainey, 1997). Gulick and others sought to develop principles to govern organization design and structure, such as the principles about "one master" (*sic*; each person should have only one superior), span of control (it should be narrow—not too many people should report directly to a superior), a clear chain of command, and grouping activities on the basis of homogeneity. Actually, one can make the case that Gulick and his colleagues had more influence on the actual practice of administration than any administrative theorists, including Simon, have ever had since. Members of the Administrative Management group participated in some prominent presidential commissions on the organization of the U.S. government, and some authors claim you can see their influence on the structure of the government even today. Simon, however, published an article in *Public Administration Review* in which he denounced the principles as mere proverbs that provided no clear guidance for administrators because the so-called principles were often vague and sometimes contradicted each other. He then called for more attention to the study of administrative decision making, especially the behaviors of administrators in making decisions, and for more attention to the variations in administrative settings in which different principles apply. Simon typically gets called the winner in this dispute, and gets credit for causing the field of public administration to turn away from the approach advocated by the Administrative Management School (e.g., Hammond, 1990; Henry, 2001, p. 33; Rosenbloom, 1998).

Simon also published this critique and his call for more research on actual administrative behavior and decision making in *Administrative Behavior* (1947/1976). There, he advanced ideas about bounded rationality in decision making. Economic theory usually assumed that human beings engage in rational decision processes in which they systematically and consistently maximize utility. Oversimplifying the discussion a good bit, one can describe Simon as taking the position that human beings cannot really do that, especially when facing complex decisions, because our efforts to be rational are bounded and constrained. We may not have enough information in some ways or we may have too much in other ways, and we often do not have enough time, resources, and cognitive capacity to make a systematically rational, maximizing decision. Especially when faced with complex decisions, human beings do not "maximize," they "satisfice." They find ways to reach a decision that is good enough rather than assuredly maximal or the best. As Simon crossed boundaries between public administration, business administration, economics, psychology, computer science, and other topics, he kept returning to this question of "how ordinary people and ordinary organizations make intelligent decisions when people are only boundedly rational" (Augier & March, 2001, p. 400). He stated that he had found a problem in 1935 that lasted him throughout his career (Simon, 1991, p. 88). Simon had focused on an omnipresent challenge in human life to which rationality assumptions that prevailed in economics and decision theory were inattentive, the challenge of deciding what to do when we do not know exactly what we are trying to do and exactly how we should try to do it.

SIMON'S INFLUENCE ON PUBLIC ADMINISTRATION—AN EXERCISE IN BOUNDED RATIONALITY

Assessing the influence on public administration and any individual researcher in that field, of Simon's attack on Administrative Management and his ideas about bounded rationality, becomes an interesting exercise in bounded rationality. (His influence on the field of organization theory appears easier to explain, but more on that later.) In reflecting on his influence, one would like to proceed in a systematically rational pattern. One would like to mount exhaustive evidence from well-designed inquiry and reach a maximal or best conclusion.

People have undertaken careful assessments in the past. My friend and former colleague and chairperson, Frank Sherwood (1990), surveyed 20 well-informed experts in public administration about the most influential books in the field. His panel chose *Administrative Behavior* (1947/1976) as the clear winner. Frank found, however, little clarity and consensus from the panel about why and how it was so influential. Frank referred to an earlier study by my current colleague, Del Dunn (1988), in a symposium led by another colleague, Bob Golembiewski (1988). Del examined 27 public administration texts for evidence of the influence of *Administrative Behavior* (1947/1976). Del looked for references to the book and coverage of Simon's ideas and themes from the book. He found "only modest attention to the book." He found that the textbooks tended toward limited numbers of references to Simon and brief treatments of his ideas from *Administrative Behavior.* Del then looked for a more overarching form of influence in the sense of whether the chapter structure and general thematic content of the textbooks reflected Simon's epistemology. He actually found that at that time, as he put it then, "POSDCORB still reigns." POSDCORB, of course, is the acronym developed by Gulick (and possibly others of the Administrative Management School) to refer to their view of the major elements of administrative responsibility (planning, organizing, staffing, directing, coordinating, and budgeting). On the other hand, Sherwood cited an earlier study of citation rates by Howard McCurdy, who found that *Administrative Behavior* was one of the most frequently cited books in public administration.

It seems, then, that for the field of public administration there is abundant evidence that Simon and his book received a lot of attention, but people have trouble specifying the magnitude and nature of his influence. One encounters further complications as well. Some prominent scholars in public administration who have concentrated on organizations and organization theory have departed sharply from Simon's orientation. Simon emphasized logical positivism and said he wanted to stimulate more empirical research on administrative behaviors, especially decision making. Yet in recent decades a countertrend in the social sciences has emphasized more qualitative methods and more postmodernist, interpretive, and critical theory orientations that reject the more empiricist and quantitative perspectives that tended to dominate the social sciences in the 1960s and 1970s (see Wamsley & Wolf, 1996; Wamsley et al., 1990). Some authors in public administration who follow this orientation or some variant of it have often regarded Simon as a representative of a rationalist and logical positivist approach that they critique sharply (e.g., Denhardt, 2000; Harmon & Mayer, 1986). Again, this causes trouble in trying to decide if and how Simon has exerted a widespread, clear, and lasting influence in the academic field of public administration.

Further complications: Hammond (1990) mounts a very interesting argument that Simon's attack on the principles showed insufficient attention to the richness and subtlety of Gulick's position, and that the field would have done well to continue inquiry along the lines Gulick was moving.[3] In the symposium Bob Golembiewski (1988) organized on the 40th anniversary of the publication of *Administrative Behavior* (1947/1976), he mentioned his own concerns when he had encountered the book at the time of its publication. He wondered why the book paid so little attention to major issues in administration, such as leadership and group processes, when the now-classic experiments of Kurt Lewin and colleagues were creating a lot of excitement at the time. In addition, Bob saw little attention to operational definition of major concepts—of how we know them when we see them, to oversimplify his position—a tendency he noted in *Organizations* as well, and an inattentiveness all the more striking for a logical positivist, as Simon proclaimed himself to be. Bob's reminiscence about his early reactions reminded me of my own when I read the book as a brash and inexperienced graduate student. It is amusing to contrast my reaction with Simon's (1991, p. 88) expression of disappointment that early reviewers did not recognize the truly revolutionary character of the book. When I first read it as a neophyte, I wondered why the book was supposed to be so important, drearily written as it was, and with so many of the ideas seeming so vaguely formed.[4] My own reaction I attribute in part to inexperience, but along with Bob's it raises the question again of whether and how this major idea about bounded rationality has influenced public administration. It suggests that Simon provided, at least for public administration (and for organization theory as well), not some well-specified theory, model, or technique, but a general perspective on human decisions that influenced the way we conceive of organizations and the people in them.

STILL SATISFICING—SEARCHING THE CITATION INDEX

Still, we need to examine as much evidence as possible, striving for as rational a decision as possible. I decided to go to the online version of the Social Sciences Citation Index. One can easily run a cited reference search, I thought, to see how often Simon's work in general, and *Administrative Behavior* (1947/1976) in particular, have been cited in journals that identify closely with the field of public administration, such as *Public Administration Review*, or that have a significant public administration constituency, such as *Administration & Society*. In trying this I collided headlong into some of the bounds on rationality.

To provide some perspective, if one runs a cited reference search on "Rainey, H. G.," for all years (as opposed to choosing a specific year), the search will locate about 75 cited references. Some of these different cited references are actually the same reference, such as a particular book or journal article, because the system lists separately citations of the same reference when the citations differ in some way, such as whether they provide a volume number for a particular journal article or whether the author citing the work provides a specific page number. The system also provides a count of the number of times the reference has been cited under each of the different listings. In Rainey's case the count is somewhere around 450. This is a respectable count, I suppose, although such scholars as Bob Golembiewski have citation rates that dwarf this one and other frequently cited authors in public administration such as Barry Bozeman, Ken Meier, and Jim Perry substantially exceed this rate.

Run a search for "Simon, H. A." and you nearly tilt the machine. A message comes back saying that the number of references located exceeds some kind of limits and encourages you to narrow the search through additional specifications. It seems as if the Social Science Citation Index has some bounds to its rationality too. You can, however, click on a button that lets you proceed with a review of the search results. The results indicate 2,762 cited references. The cited references are listed 20 per page. I counted 13 pages of different listings for *Administrative Behavior* (1947/1976), many of them with large numbers of citations. I counted about 1,850 citations to this book, searching under Simon, H. A. and Simon, H. I am not sure that this count is accurate, and I do not fully understand the way the index lists references and citations. Significantly, in relation to the bounds on rationality, I do not feel that I should devote the time, resources, and cognitive space to learn about these matters. Furthermore, I resolve never to get involved in counting references to Simon's work again.[5] According to Sherwood (1990), Howard McCurdy found some years ago that March and Simon's *Organizations* (1958/1993) was cited even more frequently than *Administrative Behavior*, and I decline to be the person who determines if that is still true!

While entangled in this searching, I searched for references to *Administrative Behavior* (1947/1976) in recent years. The idea was to see if there were many citations in public administration journals recently. Among many, many references to the book, I counted only about a dozen citations in the past several years in journals such as those mentioned above and others closely identified with public administration. Some of these were obviously occasioned by the loss of Simon and Dwight Waldo, who engaged Simon in a debate famous among public administration academics over Simon's contentions about a fact-value dichotomy. What one needs to do is to examine the individual articles and assess the influence of Simon on them, but that takes time and resources and this article is honoring Simon in part by illustrating the salience of his observations about bounded rationality—we are satisficing here. My count of citations may not be highly accurate, but it suggests that his impact on public administration defies easy identification and description. That may reflect more unfavorably on some of us in public administration than on Simon, of course. Moreover, because we have so much trouble verifying the influence and value of any social scientist, we often satisfice by counting publications, awards, and citations. By this standard, one has to acknowledge that Simon has received an amount of attention that probably rivals that of any social or behavioral scientist, and he clearly has served as a towering influence.

SIMON AND ORGANIZATION THEORY—GREATER SIGNIFICANCE IN A GRAVITATION TOWARD THE SUN?

The problem of specifying his influence on public administration may simply reflect the nature of intellectual influence in the social and administrative sciences, but it may also reflect Simon's path during his career. In a sense, he left public administration. He started as a political science graduate student at the University of Chicago, worked on research with the International City Management Association and other governmental research bureaus, and wrote his public administration books.

Then he went to Carnegie Mellon University to join a newly developing Graduate School of Industrial Administration (GSIA) there. In graduate schools of business administration in the 1970s, students studying organization theory often read a book by Simon's associates at Carnegie Mellon, Richard Cyert and James March (1963), *A Behavioral Theory of the Firm*. They observed that decision makers in business firms behaved much like Simon said they would. They satisficed by using various procedures as substitutes for full-blown rationalistic methods to make decisions. For example, rather than maximizing they adopted certain decision rules based on acceptable levels of performance (that resemble citation counts as proxies for academic value). Instead of exhaustive searches for the optimal alternative, they engaged in "problemistic" searches in the immediate environs of a problem, expanding the search only if an adequate alternative proved unavailable. In addition, they found politics in the firms, with coalitions contending over decisions. In his autobiography, Simon does not take much credit for this work, but describes the authors' involvement in projects at GSIA where participants shared ideas.

Regardless of who influenced whom, I always regarded this book as reflecting a linkage between Simon's work and the stream of work on organizational decision processes by James March and colleagues that moved through the Carnegie Model of decision processes emphasizing organizational politics and coalitions to the "Garbage Can Model" of decision making (Cohen, March, & Olsen, 1972). The Garbage Can Model depicts organizational decisions, especially in certain more loosely organized organizations such as universities and some government agencies, as more chaotic and chance-based than rationally controlled. Decisions occur, according to this perspective, when streams of participants, solutions, and problems come together during a choice opportunity, such as a task force formed to respond to a crisis. The perspective, arguably the most prominent in contemporary thought on organizational decision processes, always appeared to me to be an outgrowth of Simon's ideas about satisficing, or at least to be heavily influenced by them.

In this sense, too, Simon left public administration and wrought a much broader and easily detectable influence on organizational theory more generally—as it is taught and researched in business schools and sociology and psychology departments. In his autobiography, Simon (1991) described his feeling that public administration was an "academic backwater" with "few scholars with an understanding of what research is all about," and where by the norms of science, "Many of the books published are positively embarrassing" (p. 114).[6] He characterized his move to GSIA and research projects on organizational analysis (and from there into his work on artificial intelligence) as a process of "gravitating toward the sun" (p. 133) into greater visibility and intellectual prominence.

Even so, Simon's influence on organization theory is not always entirely clear. Current texts usually give prominent treatment to the bounded rationality perspective (e.g., Daft, 2001, p. 406) but often link it to the development of the Carnegie and Garbage Can Models described above. This would make Simon into a significant influence on one subtopic within organizational analysis, organizational decision processes. Although important, this hardly makes him into an overarching eminence of organization theory.

Some years ago, however, I began to wonder if his role has been much more central than that. In organization theory as taught in social science departments and business schools, adaptive systems theories and contingency theories of organization held center stage in the 1960s and 1970s. The received wisdom tended to be that earlier approaches, such as Scientific Management and Administrative Management, had championed the pursuit of "one best way" to design an organization—in the case of the Administrative Management School, through the development and application of the principles of one master and span of control, and so forth. These approaches tended to look at organizations and the people in them as closed systems or machinelike in nature, rather than as open systems that respond and adapt to their environments. Some influential research on organizations—by Burns and Stalker on innovation in organizations in England, by Lawrence and Lorsch on firms in the United States, and by Joan Woodward on British firms applying different technologies in their production processes—was showing that organizations do not follow one set pattern of design and structure.[7] Rather, their design tends to be adapted to contingencies that the organization faces, such as the uncertainty of their environments due to complexity and change, the predictability and complexity of their tasks and technologies, and their size. Burns and Stalker had found, for example, that in more uncertain and rapidly changing environments, organizations with more mechanistic (bureaucratized) structures did not perform as well as more organic organizations that were more flexible, decentralized, and horizontally communicative. This led to much research on contingency theories, that in turn appears to have led to the current crescendo in the management literature of advocacy of decentralization, flexibility, teamwork, empowerment, and even chaos. Where was Simon in all this? If these empirical studies of organizations drove these developments, did Simon's article on the proverbs of administration in a public administration journal have much to do with this evolution in organization theory and management?

It began to occur to me that Simon may have provided some of the crucial intellectual and conceptual underpinnings for these developments. James Thompson (1967), an organizational sociologist, published a widely admired synthesis of the research in this contingency theory direction, that most of us now middle-aged organizational researchers read in graduate school in the 1970s. Thompson drew on Simon's ideas about bounded rationality as he proceeded (as sociologists are wont to do) to produce a series of two-by-two matrices hypothesizing that organizations will adapt differently to different contingencies of their environments and technologies. A conceptual linchpin in explaining this adaptation process was the complexity and uncertainty imposed on organizational decision makers and the bounds on their rationality in dealing with it. Where the environment became more complex and rapidly changing, decision makers at higher levels in organizations could not play the implicitly rational roles that the Administrative Management School called for—that is, they could not sit at the top of the organization and decide on the optimal structure, the one best way. They had to decentralize to move decisions down to people with more time, information, and knowledge than they could retain at the higher levels. This theme or others akin to it appeared in a lot of the research coming out and later texts (e.g., Daft, 2001). Although not all these researchers directly cited Simon, one wonders if his insights about the role of bounded rationality and satisficing, disseminated in his own work and his books with others such as March, provided an overarching perspective that heavily influenced these developments.

A RETURN TO PUBLIC ADMINISTRATION, WITH EMPHASIS ON ITS SIGNIFICANCE

There are many other topics and issues to consider in Simon's work, such as his relation to Chester Barnard, their concepts of zones of resistance and acceptance, the perspective on the organization as an economy of incentives, Simon's emphasis on decision premises, and his work in economics and artificial intelligence. Covering all these topics will require a committee, so we might as well concentrate on a matter very interesting for those concerned with public administration (as it should be to others). Simon made an effort toward the end of his life to communicate with the denizens of the academic backwater and to speak in support and defense of it in a way that had great significance for me and I hope for others. In 1995 I was at the American Society for Public Administration conference in San Antonio to receive an award named for my old friend Charlie Levine.[8] Never having met Simon, I was excited to hear that he was coming to San Antonio to accept the more prestigious Waldo Award for career accomplishment. I would get to share the podium with the great man. Mel Dubnick was the managing editor of *Public Administration Review* at the time and was there discharging some responsibility for the proceedings. Mel asked me if I wanted to see Simon's vita. I said I did, expecting Mel to produce from his briefcase a document the size of a telephone book. Instead, Mel showed me one page where Simon had listed his awards. It was a single-spaced list of every prestigious award in the social sciences, computer science, and other fields. Listed down in the middle somewhere in small type was a reference to the Nobel Prize in Economics, 1978.

Simon, in his talk for the Waldo award, delivered a powerful statement asserting the importance of public administration and denouncing critics of government and the public sector who displayed simple-minded orientations toward cutting down government, privatizing public services, and heaping scorn on government bureaucrats. It was not long after the fiendish, nightmarish bombing of the federal building in Oklahoma City, and Simon even suggested that the compulsive critics of government agencies and their employees contributed to the atmosphere that led to the bombing. (In a brief conversation after his talk, he wondered aloud if he had gone a bit too far in saying that.) I hoped that the audience realized what they were hearing. A Nobel Laureate in Economics was sharply attacking, among other things, the tendency of many economists as well as others to assume the inferiority of public administration and its organizations and people.

In the brief conversation afterward, Simon mentioned that he would really like to see more energy in public administration. He disliked the drumfire of criticism and invidious stereotyping that had been prevalent in popular and academic discourse about government and public administration. Two years later, in his Donald C. Stone award lecture, he made a strong statement similar to his San Antonio remarks that appeared in *Journal of Public Administration Research and Theory* as "Why Public Administration?" He objected to the prevalence of the assumptions in much public policy and academic and popular discourse that self-interested motives and market models produce effectiveness and efficiency in organizations. He argued that such motives as organizational loyalties and identifications, as displayed by dedicated public servants such as Donald Stone,[9] deserved “equal billing” with self-interest as drivers of organizational performance. He proclaimed that the assumption that self-interest is the only important motive is “simply false.” He then asserted that

> a corollary of this fact is the falsity of an equally common claim: that public and nonprofit organizations cannot, and on average do not, operate as efficiently as private businesses. The careers of public servants like Donald Stone provide an important part of the evidence for setting high upper limits to the prospects for governmental performance, evidence that should lead us to review with great care the current extravagant claims for privatization. (Simon, 1998, p. 11)

He reminded us in San Antonio of the significance of what we do. The Nobel Laureate, in memorializing Donald Stone, spoke against a strong strain in economics and popular discourse when he asserted that we often do it well. Most of us already thought so, in spite of the critics and the stereotypes against which Simon held forth. Hearing it from him, however, had its special attraction, and not just because of his Nobel Prize, his truckload of awards, and his limits-exceeding citation rate. In an article for Bob Golembiewski’s symposium, I argued that Simon had displayed a penchant for prescience (Rainey, 1988). Simon showed such a capacity in recognizing the value of Chester Barnard’s awkwardly expressed insights in *Functions of the Executive* and in extending them into his own work and public administration and organization theory. In his autobiography he described how he was immediately interested in the potential of the early, crude versions of what was to become the computer that would later serve a crucial role, obviously, in his work on artificial intelligence. He also described how he formed his early ideas about bounded rationality from his personal experiences, including his observations of municipal administrators making their decisions, and from a theoretical analysis of the incidence of municipal property taxes in his early days in municipal research; from these seemingly mundane, unremarkable experiences he derived some of the most influential ideas in social science in this century.

Against this backdrop, one had reason to take note when, in his San Antonio remarks, he said that the pendulum would swing back, away from the harsh assumptions of the inferiority of public administration. I now have on my desk three recent books, entitled *Government Works: Why*

Americans Need the Feds (Esman, 2000), *Defending Government: Why Big Government Works* (Neiman, 2000), and *Why Government Succeeds and Why It Fails* (Glazer & Rothenberg, 2001). A fourth book argues that in privatization of public services, *You Don't Always Get What You Pay For* (Sclar, 2000).[10] Maybe Simon is wrong about the pendulum and he could not push it back in the other direction by himself, but it will be very interesting to see if he provided additional evidence of his prescience in his statements on receiving the Waldo and Stone awards.

Augier and March (2001) characterize this late return to concern with public administration as a homecoming for Simon. Although this reflective essay has not clearly established his exact impact on the field and its author according to norms of rationality, one can certainly satisfice by drawing on a search of the acceptable standards within the environs of this issue—citation rates, awards, widespread attention to and use of his ideas, and the general impression that the insights about bounded rationality have significantly influenced analysis and understanding of administration and organizations. We can even add the complaints and criticisms against Simon's positions, that cast against accomplishments such as his, turn into offerings on an altar, expressing faith in inquiry and communication. More persuasive still is the apparent insight in conceiving bounded rationality as the ubiquitously significant issue that it is, striving as we all do to decide and act when purpose, direction, and means evade clear specification. In this sense, Simon never did leave public administration. A genuinely valuable intellect provided us with these important insights and ideas. At the beginning and end of his career he devoted his attention to public administration, toward the end focusing that great intellect on reminding us of the significance of what we do and of the significance of striving as he did, against the bounds on all of us, to do it well.

NOTES

1. See Augier and March (2001) for more information on his awards.
2. The full quotation from Freud (1924) is as follows:

> But man's craving for grandiosity is now suffering the third and most bitter blow from present-day psychological research which is endeavoring to prove to the "ego" of each of us that he is not even the master in his own house, but that he must remain content with the veriest scraps of information about what is going on unconsciously in his own mind. (p. 296)

3. One can argue that Gulick and the Administrative Management School have been stereotyped inaccurately in much of the contemporary organizational theory literature. Paul

Van Riper, in an act of collegial generosity, sent me a little-known article by Gulick. Gulick argued that America's success in World War II resulted in a significant part from the requirements for participation and compromise in the American system, as contrasted with the more hierarchical concentrations of power in the Axis governments. The article reverses the stereotype of Gulick as a proponent of hierarchy, executive authority, and clear divisions of responsibility, and appears to adumbrate contemporary perspectives on organizational participation and flexibility.

4. I have had some trouble clarifying the meaning and significance of the term *satisficing* to classes of graduate students. I was fascinated when Bob Golembiewski pointed out to me that the word never appears in *Administrative Behavior*, but only some years later in Simon's articles.

5. One feels a bit humbled. Somewhere in *Lord Jim*, Conrad says something to the effect that if you want to know how small a human is, go to sea in a storm. An awkward analogy for some of us academics would be to say that if you want to see your citation rate swept under by a great wave, compare yours to Simon's.

6. Simon (1991, pp. 112, 114) may not have intended his references to public administration as a backwater to be as derisive as they sound. In his autobiography he expresses pride in staying at Carnegie-Mellon during most of his career and not needing to migrate to one of the supposedly elite universities. In this and other ways, he liked, as he put it, "to play the role of underdog."

7. For descriptions of these studies and citations, see Daft (2001) or Rainey (1997).

8. Charlie died at a relatively early age while serving as deputy director of the National Commission on the Public Service, known as the Volcker Commission. Being Charlie's friend was no great accomplishment because Charlie would befriend and help any young professional in public administration who showed a little sincere desire to contribute. He dedicated his tragically truncated career to generous, energetic professionalism in public service.

9. And such as Charles H. Levine.

10. The dreaded federal deficit, projected by pundits 15 years ago to be the source of our inevitable national ruin, has been changed to a surplus. Among the 25 major economies of the world, the United States comes in nearly last in the percentage of gross domestic product (GDP) taken in all forms of taxation and in the percentage of GDP devoted to government spending. These statistics will make it harder to blame government bureaucrats and their bureaucracies for national ills.

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Although the arts in the United States are predominantly nonprofit, policy analyses concerning the nonprofit sector and the arts field have largely followed separate trajectories. Thus, key policy challenges that have recently been identified for the nonprofit sector at large have found little resonance in the arts. This article reviews the implications of commercialization as one of the key issues in the nonprofit field for the arts, discusses the reasons why this issue has not gained greater prominence in arts policy, and concludes by outlining alternative policy research options.

CULTURE, COMMERCE, AND CIVIL SOCIETY
Rethinking Support for the Arts

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Although the arts and high culture predominantly take the nonprofit form in the United States with few exceptions (e.g., DiMaggio, 1986b), there has traditionally been little interest in exploring the consequences of the "nonprofitness" of arts and culture. Although this is beginning to change, arts policy analysts as well as arts economists have typically focused on the role of government in financing the arts, leaving the issue of the provision of cultural services largely aside. In part, this might be due to the seemingly clear-cut division of labor between the three sectors in the United States: High culture was the undisputed domain of the nonprofit sector due to market failure and the historical nonexistence of government arts institutions, whereas the market ruled the production of

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popular culture. With this role distribution taken for granted, private versus public or nonprofit versus for-profit provision of the arts was essentially a nonissue.

However, during recent years a number of broad institutional changes have taken place that direct more attention to the issue of auspices. First, recent cuts in federal support for the arts have increased attention on private philanthropy (Cobb, 1996)—the traditional form of nonprofit finance. Second, the arts sector has significantly grown since the 1960s, increasing the complexity of operations and raising the financial stakes. Moreover, the continuing budgetary crisis of the arts has encouraged arts organizations to engage in or expand activities that are essentially for-profit in nature, such as the retail operations of museums (Anheier & Toepler, 1998). The fundraising and business skills that are increasingly required of arts administrators in this economic climate draw new types of managers from outside the art world to the field with potentially serious ramifications for organizational missions and behavior (Alexander, 1996). Third, technological and larger sociodemographic changes open opportunities for for-profits to enter new markets in the arts, heretofore thought of as protected by market failure, or to seek collaboration and cross-fertilization with the nonprofit arts (Cherbo, 1999; Pankratz & Gibson, 1999).

Although there is therefore a heightened interest in various aspects of the "nonprofitness" of the arts, the issue of whether (and if so, how) broad trends that affect the nonprofit sector at large (Weisbrod, 1997) also have implications for the nonprofit arts remains unexplored. In other words, the question at hand is whether the larger nonprofit policy debate can bring useful, new perspectives to the arts policy debate. In the following, I briefly present one assessment of the overall challenges currently faced by the nonprofit sector and then concentrate more fully on one key trend—growing commercialization and its implications. Examining this issue for the arts in detail raises, in turn, questions about the traditional policy rationales for supporting arts and culture. I argue that the predominantly economic rationales and justifications of the past have outlived their usefulness and that the social and societal relevance of the arts needs to be reevaluated in the light of the current civil society and social capital debates. Doing so requires a significant shift in focus: Policy makers as well as artists and arts administrators need to go beyond the traditional artistic quality and public access orientation of arts policy and focus on a broader set of functions that nonprofit cultural organizations perform.

THE CRISES OF THE NONPROFIT SECTOR

A good starting point is the summary analysis and assessment of the state of the nonprofit sector recently developed by political scientist Lester M. Salamon (1997, 1999). Salamon notes a number of trends that are supportive of the future development of the nonprofit sector, including social and demographic trends that will increase demand for services nonprofit typically provide (ranging from the aging of the population to the transformation of the role of women to increased leisure expenditures), increased visibility and professionalization of the sector, and the potential of new revenue sources deriving from the expected intergenerational transfer of wealth and new approaches to corporate philanthropy. At the same time, however, Salamon also identifies four major challenges that the nonprofit sector currently faces.

The fiscal crisis. The relative prominent position that the nonprofit sector occupies in the economic, social, and political life today is for the most part a postwar phenomenon that is largely based on a third-party government approach to addressing public problems by providing public funding for the private provision of services (Salamon, 1995). Like the National Endowment for the Arts (NEA), many of these third-party government programs originated in the Great Society era of the 1960s and strongly fostered the growth of private nonprofit service providers. Beginning with the Reagan Revolution's fiscal retrenchment in the early 1980s, however, the nonprofit sector saw substantial cutbacks in federal support. Fiscal retrenchment, in combination with growing demand for services, has since put the nonprofit sector under considerable financial strains. In the arts, federal support declined by almost half between 1980 and 1997, and its gross domestic product (GDP) share in 1997 stood at only 35% of the 1980 level (Abramson, Salamon, & Steuerle, 1999, p. 113).

The economic crisis. With private philanthropy unable to fill the gaps left by reduced government support, the nonprofit sector increasingly relied on fees, charges, and other earned income to respond to the growing demand. With a marketization or commercialization of the sector on the rise, the boundaries between the nonprofit and commercial sectors are beginning to blur, and many nonprofit organizations are increasingly becoming indistinguishable from for-profit ventures. Moreover, with shifts in the general institutional environments and commercialized nonprofits demonstrating the marketability of their services, the for-profit sector has begun to enter or even take over markets that were traditionally served by nonprofits, particularly in the welfare reform context.

The effectiveness crisis. The growth of the sector as well as its more businesslike approach to doing charity has also led to a greater professionalization. The highly professionalized provision of services, the replacement of volunteers with on occasion extremely well-paid professionals, has brought the modern reality of the sector at odds with traditional popular conceptions of charity. The results are decreasing good-will bonuses and greater demands on nonprofits to demonstrate their effectiveness, if not even the efficiency of their operations. With the business emphasis on profits as the basic bottom line missing, such demands have sent the sector struggling to find alternative effectiveness and efficiency measures and, more generally, to find new ways to address its accountability problems.

The legitimacy crisis. Last, with the growing commercialization and the increased questioning of its effectiveness and accountability, the nonprofit sector is on the verge of losing the public's trust and at least parts of its privileges (Fleishman, 1999). Notwithstanding aggressive fundraising and telemarketing practices, a number of highly publicized scandals, including the United Way scandal that broke in 1992, and growing critical coverage in the media further amplified the problem. In terms of privileges, the sector is facing challenges to its tax exemption, especially property tax exemption (see below), at the local level and to its ability to advocate and thus influence the political process at the federal level.

At the bottom of this interrelated set of crises lies one central problem: the perceived growing commercialization of nonprofit organizations, which is brought about by the relative decline of public or private donative revenues as a share of total sector income, but has the potential to shake the foundations the sector stands on: public trust and the justification for the privileges it enjoys. It is at this point—with respect to the assessment of earned income as a means of financing, however—that a significant difference in thinking between the arts and the larger nonprofit field emerges.

SELF-SUSTAINABILITY VERSUS COMMERCIALIZATION

One proposition in the arts field has been to close the earnings gap (Stevens, 1995) by finding ways to increase earned income to levels that give arts organizations financial independence or, in other words, that make them self-sustainable. This is a very appealing and intriguing proposition for many stakeholders. For local governments, for instance, increasing the self-sustainability of local arts institutions reduces the need for subsidies and thus allows them to redirect scarce resources to other needy areas. One example is Baltimore, where the privatization of history museums with the self-sustainability goal in mind had, however, fatal or near-fatal consequences for those museums that were not prepared organizationally and strategically to recognize the implications (FitzSimmons, 1999). Insofar as arts institutions are able to appreciate the consequences and prepared to strategically leverage their assets, the new mantra of self-sustainability is equally, if not even more, appealing to the organizations themselves. Earning their own way can free the organization from the vagaries and volatility of, as well as the strings attached to, public subsidies as well as private donations.

From the nonprofit perspective, the self-sustainability issue is less clear-cut. To be sure, the call for self-sustainability is increasingly heard throughout the nonprofit sector. In contrast to the arts, however, there is also a growing debate of a commercialization threat that increased reliance on earned income brings with it. Commercialization in this context means different things (Weisbrod, 1998): organizations charging fees and increasing fees for their core services (e.g., raising admissions), engaging in mission-related economic activities (e.g., museum stores), or engaging in completely unrelated business activities. Significantly, rising ticket prices and admissions (i.e., related income) is a large and very important part of the commercialization problem. In general, there are a number of consequences of the commercialization trend, including issues relating to (a) funding interdependencies, (b) mission or goal displacement, and (c) local tax exemption.

REVENUE INTERDEPENDENCIES

In aiming at increasing earned and commercial income (and thus reaping the benefits outlined above), organizations might not be fully aware that there are various revenue interdependencies in play, meaning that a stronger or lesser pursuit of one given form of revenue will have certain effects on the other revenue types (Kingma, 1996; Weisbrod, 1998). Generally, three broad categories of revenues can be distinguished: government support (including third-party payments, direct subsidies, or contracts); private fees and charges; and private donations from individuals, foundations, and corporations. Some of these interdependencies are:

- The prominent “crowding out” effect, which is usually taken to mean that increases in government support will lead to decreases in private donations (Steinberg, 1989). The assumption here is that individual as well as private institutional donors will shift their philanthropic giving away from organizations that are beginning to receive substantial amounts of government support. Some of this behavior might have ideological roots based on the belief that government money taints the private character and independence of nonprofit organizations; in part, it can also be a function of the perception that an organization receiving public support is less in need of private support (Brooks, 1999).
- Already referred to is an interdependence between fee income and public support, where local or state governments decide to reduce funding obligations if organizations appear to be able to take care of themselves economically. Thus, attempts to close the earnings gap are likely to open other revenue gaps, especially for arts institutions that have significant municipal support. A visible instance of this interdependency at the national level was what came to be known as “Barneygate” in the first half of the 1990s, or the argument of several senators that federal support for the Corporation of Public Broadcasting (CPB) could be reduced or even phased out if CPB would capture greater shares of the licensing revenues accruing from commercially produced merchandise based on the children’s show *Barney* (Bedford, 1993; Behrens, 1995).
- Third, rising fee income might also negatively affect private donations, as donors see either less need or do not feel that their donations are important to the organization. As private donations are still more important in the arts than in other areas of nonprofit activity, this is potentially a very significant problem.

MISSION OR GOAL DISPLACEMENT

Perhaps the greatest threat underlying the commercialization phenomenon is the danger of mission or goal displacement (DiMaggio, 1986a; Weisbrod, 1998). In the nonprofit context, it is typically assumed that nonprofit managers do not engage in commercial activity for purely economic goals (as the for-profit firm does), but as a means to generate additional revenues to cross-subsidize their underfunded core charitable, educational, or artistic goals and missions. Goal or mission displacement refers to the possibility that increasing emphases on, as well as the lure of success with, commercial activities will tempt nonprofit managers to lose track of what the organization originally set out to accomplish. At the same time, the traditional balance of power in organizations may shift from the service professionals who traditionally used to run nonprofit organizations (e.g., social workers or curators) to more recently hired and financially savvy business staff with MBA or MPA degrees (Alexander, 1996).

In the cultural arena, the one institution where the threat of mission displacement is perhaps playing out most publicly is the Public Broadcasting System (PBS). During the past few years, the seemingly increased use of commercials in the form of corporate underwriter messages has sparked substantial criticism of the growing commercialization of "commercial-free" television (Public Radio International, 1999), which is seen as the final departure from the ideal blueprint as laid out by the Carnegie Commission and that helped establish the public television system (LaMay & Weisbrod, 1998). Although this by itself is seen as undermining public broadcasting's original mission, it also seems to be only the short end of the problem. In a recent article in the *American Prospect*, two child psychiatrists charged that, with the decision to air the hugely successful *Teletubbies* show, PBS aimed at creating a new market of the previously untapped audience of 1-year-olds for purely commercial reasons, including benefiting from the merchandising potential of the show. The problems with the show, however, lie in its apparent void of any educational content, the lack of research on how television in general may affect less than 2-year-olds, and the resulting strong recommendation of the American Academy of Pediatrics not to let infants and toddlers younger than 2 years watch any television (Linn & Poussaint, 1999). Thus, the question does arise whether PBS in trying to claim educational benefits of the show despite the lack of research to back such claims up is placing commercial goals above educational goals, thus displacing the latter.

Whereas PBS might be the most prominent example, it is not the only one. Similar issues are at play in the museum field (Anheier & Toepler, 1998). Although commercialization can take many forms in this field, the most visible development is the emphasis that is put on merchandising. Museum shops are expanding and get more space within the museum. Off-site stores are mushrooming, and some of the larger museums have entered the mail order business with professional catalogues that are virtually indistinguishable from similar commercial catalogues, except for the merchandise descriptions that carefully note that the product is derived from objects in the museum's collection, which in turn shields the merchandising operation from taxation. With the development of Web-based retail technologies, moreover, many museums have also begun to develop virtual museum shops either individually or collectively (e.g., MuseumShop.com). Although it can be argued that retail and e-tail merchandising activities help increase the visibility of the museum and thus further the educational mission, the core incentive is apparently the revenue potential. Unfortunately, however, the usefulness and viability of stores and catalogues as income generators are not fully studied and some questions remain.

As an example, a review of annual reports of two major arts museums with extensive merchandising operations suggested that net proceeds from merchandising as a percentage of adjusted total revenue dropped from 10% in 1991 to 6% in 1993 to 1% in 1995 in the case of one museum; and from 11% in 1987 to 2% in 1991 to 1% in 1995 in the case of the other. To be sure, there are many possible reasons that these limited data may not represent a long-term trend, and further study is in order. Nevertheless, these examples should serve as a cautionary tale that going down this commercial route might not always have the expected payoffs for museums and other cultural institutions thinking of redirecting resources toward enlarging their stores. Perhaps even more significant is a closer look at the actual financial extent of merchandising. Indeed, mail order and merchandising operations can account for substantially more than half of all revenues (as well as expenditures) of the museum. Thus, if the largest part of the art institution’s finances is bound in commercial activities, situations might indeed arise where economic goals will take priority over educational goals, and the threat of mission displacement becomes real.

LOCAL TAX EXEMPTION

Of all the various taxes nonprofit organizations are exempt from, the local property tax is perhaps the most valuable exemption. Again, the more a nonprofit begins to resemble a commercial operation, the louder become questions as to why they should be exempted from property tax, which is of course the most critical source of local government finance. So far, the main thrust of the local tax exemption challenge has hid the usual suspects, namely hospitals and also colleges and universities (Salamon, 1997). But many other nonprofits are affected as well, including museums and other cultural organizations (Leland, 1997).

In the light of the growing number of problems that cities face, it is quite likely that cash-strapped local municipalities will indeed pay greater attention in the future to the many well-endowed urban arts institutions that occupy prime, and thus valuable, city space in hopes of extracting some financial contribution in the form of taxes or an alternative scheme known as payments in lieu of taxes (PILOTS). Having arts organizations that appear to be economically viable and autonomous by virtue of large endowments and/or a highly commercialized income structure is thus bound to raise questions regarding what exactly the benefit for the locality is and why such organizations do not contribute in more concrete ways to their communities. So far, the nonprofit sector has been fairly successful in fighting these local challenges, but even if municipalities do not succeed in revoking property tax exemptions on a large scale there will be greater resistance to accommodate nonprofits and the nonprofit arts in the future. Perhaps an indication of this is Washington, D.C.'s initial reluctance to rezone the former downtown flagship store of the bankrupt Woodward & Lothrop department store chain for use by the Washington Opera. Seemingly, the revitalization potential of a new opera house was not perceived by the city as a sufficient recompense for the loss of property tax income derived from the commercial use of the building.

IN SEARCH OF RATIONALES FOR SUPPORTING THE ARTS: ECONOMIC CAPITAL OR SOCIAL CAPITAL?

What are the reasons that challenges such as these have hardly penetrated the arts policy discourse? Perhaps generalizing a bit too broadly, the arts policy discourse in the past was focused primarily on developing legitimizing frameworks for supporting the arts and the key focus has been on the issue of public funding. However, it can be argued that the rationales and justifications put forward during the past couple of decades to legitimize public involvement and support are beginning to outlive their usefulness and might prove insufficient to guide arts policy making through the emerging new realities of the arts. Most of the legitimizing arguments have traditionally been economic in nature. They were essentially economic arguments—various forms of market failure, with Baumol and Bowen's (1966) cost disease the most important—that prepared the ground for government involvement in the arts in the United States in the 1950s and 1960s. The 1970s then saw the rise of the economic impact study—still the tool of choice for arts advocates otherwise lacking convincing arguments to persuade skeptical local authorities to support the arts for anything other than the arts' sake. In a way, there is thus a long tradition of arguing the value of the arts and thinking of the arts economically, at least as far as support rationales are concerned. From this perspective, it is perhaps not too surprising that the latest trend of self-sufficiency is again economic in nature, only this time it plays out at the organizational rather than the market or industry level.

The primary advantage of thinking economically is that it does allow the argument of support for the "professional artist as professional artist" or the professional arts as professional arts. As long as impact studies were able to show that there are economic benefits that the community derives from the arts, it did not really matter what effects the arts have in the community. In a way, the fringe benefits of artistic and cultural activity were sufficient. By the same token, there was little discussion of how the arts can change to become more integral parts of the community or, in other words, how the arts can best benefit communities with their traditional accomplishments (i.e., professional artistic output) as a fringe benefit. Without that, however, a true new legitimacy might not be easily attainable.

At this point, it is perhaps worthwhile to explore alternative avenues that might help us place the arts more firmly on the political and social maps of society. But one such avenue is the debate about civil society and social capital that has gained some currency in the United States and abroad. Civil society is often conceptualized as the space between the state and the market, the realm of civic activity, voluntary associations, informal networks, clans, and families, which keeps both the state and the market in check and provides the bonds that hold communities and society together. Alas, the relationships between civil society and arts and culture have not yet been explored or even flagged. Among the few exceptions is political theorist Benjamin Barber (1998), who wrote that the

> arts are civil society's driving engine, the key to its creativity, its diversity, its imagination, and hence its spontaneity and liberty. As democracy depends on civil society for its liberal spirit, so civil society depends on the arts; thus democracy needs the arts' commitment to free creativity, liberal diversity, and unfettered imagination. (p. 109)

Barber goes on to say that

> imagination is the link to civil society that arts and democracy share. When imagination flourishes in the arts, democracy benefits. When it flourishes in a democracy, the arts and the civil society the arts help to ground also

> benefit. Imagination is the key to diversity, to civic compassion, and to commonalty. (p. 111)

To be sure, reinvigorating civil society holds the potential to help address a broad range of societal dysfunctions and the decline of community. Locating the arts in this context will thus provide a strong and powerful legitimization. Unfortunately, the civil society idea remains somewhat abstract, and even Barber's arguments for the relationship between the arts and civil society are well-intentioned but lack concreteness.

More useful in this respect is the related concept of social capital, which—somewhat simplified—refers to the bonds of trust and norms of reciprocity that individuals develop by interacting with one another, primarily through participating in associations, networks, and so forth. The social capital idea figured prominently in Robert Putnam's (1993) work on Italy, in which he showed that participation in voluntary associations was positively correlated with the degree of economic development and good governance, as well as in his more recent work in the United States, where he relates decreasing participation in associational life to a loss of social capital and societal trust (Putnam, 2000). Although the arts were not an initial focal area of the social capital debate, there is, however, a growing awareness that they can play an important role in rebuilding communities and regenerating social capital (Saguaro Seminar, 2000). Looking at the arts from a social capital angle entails a greater focus on those parts of the cultural universe that actually provides venues for citizens to participate and interact, which in turn fosters social bonds and raises the level of trust in communities with the concomitant spillover effects. This, of course, is a very different kind of participation than the one the arts field has concentrated on in the past: Participation in terms of passively attending an arts event is neither sufficient nor interesting from this perspective.

CONCLUSION

In sum, if we accept that the nonprofit arts will sooner or later be fully subject to the same challenges as the nonprofit sector at large, it will be necessary to develop different conceptual frameworks and a new base for legitimizing support and the extension of privileges (e.g., preferential tax treatment) beyond market failure and economic impact. The social capital route may be but one way—particularly useful to explore more fully the ways in which the arts contribute to their communities. However, it is also a limited one, as it is unlikely to fully apply to the work of traditional arts institutions that produce traditional professional art outputs for traditional passive audiences. In a way, it might thus be necessary to develop yet another take on what effects the arts might have on the broader civil society by looking for measures that help us understand what special functions or roles the nonprofit arts perform vis-à-vis the non-nonprofit arts. This would entail a considerable change of focus. The question would no longer be why the arts per se should be supported, but why nonprofit organizations should be supported that produce arts. This in turn would include an assessment of the comparative advantages or efficiencies of organizational form (nonprofit vs. for-profit or public auspices)—taking for granted that the arts should be there in the first place, a proposition that even those who believe that the arts should be left to the marketplace do not call into question.

The issue then becomes whether it matters who is actually providing the services. Indeed, the search for ways to demonstrate the broader impact of nonprofits this way is gaining momentum. Although there is a growing body of empirical studies that attempt to compare performance in industries where two or even three sectors are present at the same time (hospitals, child care, nursing homes, etc.), the available evidence is still inconclusive, however, and this line of inquiry is generally hampered by measurement issues. However, a number of special functions commonly ascribed to nonprofits can be hypothesized that could be used to establish a broad and multidimensional argument of what the impact might be. These special functions include (for a closer discussion, see Salamon, Hems, & Chinnock, 2000):

- Service function: Nonprofits provide services that are not typically provided by either government or the market, or if they do, they provide these services differently, that is, inter alia, at lesser cost, greater equity, or higher quality.
- Innovation function: Nonprofits perform an innovation function in pioneering new approaches or solutions that may be taken over by government or the market at a later stage.
- Advocacy/social change function: Nonprofits serve as agents of social change.
- Expressive function: Nonprofits provide an outlet for expressing diverse values or interests.
- Community building function: Nonprofits help build communities and strengthen democracy—equaling the social capital dimension.

To be sure, these hypothesized roles and functions are in need of empirical validation, and this process is just beginning. Moreover, some of them might actually not apply to the nonprofit arts, and to some we think we already know the answer (e.g., the service function). However, further inquiry along these lines, drawing together existing evidence and presenting it in such a larger frame, has the potential to present new insights at the current junction of cultural policy making, insights that go beyond the mere economics of the arts.

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The article suggests a new model for the implementation of social programs based on welfare reform in Wisconsin. Existing models tend to be top-down or bottom-up, but in Wisconsin the leading counties and the state government worked interactively to transform welfare. Existing accounts of the Wisconsin reform stress state-level leadership, but key features such as high participation in work programs and an emphasis on "work first" rather than training were developed first in Kenosha and several other counties and then adopted statewide. The article also dramatizes the critical role of strong program management and organization.

WELFARE REFORM IN WISCONSIN
The Local Role

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In recent years, Wisconsin achieved the most thorough reform of welfare in the nation. *Welfare* here means the controversial family aid program once called Aid to Families with Dependent Children (AFDC) and, since 1996, Temporary Assistance for Needy Families (TANF). In a series of changes beginning in the mid-1980s and culminating in 1997, Wisconsin replaced AFDC with Wisconsin Works, or W-2. The old system gave aid to single-parent families mostly on the basis of need alone. The new system conditions all aid on work effort at some level. Employable adults are expected to get regular jobs; they receive only support services such as child care, not cash. A few have their jobs subsidized. Those who cannot immediately get their own jobs must perform community service work in return for a cash grant. Those unable to do even this are assigned to remediation programs, which are also mandatory, in return for a lesser grant. Those not in regular work are expected to move up to it as they become able. Whereas most states currently are strengthening their work requirements in welfare, Wisconsin appears to be the only state that has rebuilt welfare entirely around employment (Holcomb, Pavetti, Ratcliffe, & Riedinger, 1998, p. 77).

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In response to the new demands, most recipients simply left welfare. Wisconsin's welfare rolls, which topped 300,000 people in 1986, fell almost continuously from that point. The fall in the caseload to date is around 90%, by far the sharpest decline of any urban state.[1] The causes include not only welfare reform but highly favorable economic conditions and new benefits, such as wage subsidies that help to "make work pay" (Ellwood, 1999). Social consequences appear favorable. More than 60% of former recipients are working, as in other states. Although most leavers remain poor, hardship is unusual, and most report that they are better off than they were on welfare (State of Wisconsin, 1999). In a national survey in 1997, Wisconsin had the highest work levels among low-income parents of 13 states surveyed (Urban Institute, 1999).

This article demonstrates that the Wisconsin reform depended heavily on innovation at the local level. Existing accounts attribute the reform largely to Governor Tommy Thompson and other state-level leaders (Corbett, 1995; Mead, 2000; Wiseman, 1996). But state officials themselves credit several counties with developing welfare work programs that became models for the state and also for piloting several Thompson experiments in reform. Kenosha County pioneered the idea of enforcing high levels of participation in work programs, Kenosha and Sheboygan developed programs focused on "work first" rather than education and training, and Grant County developed the policy of diversion, or finding alternative aid for needy families so that they can avoid welfare. All these policies became features of W-2.[2]

The experience suggests a new model for social program implementation. The existing literature tends to take either a top-down or bottom-up approach. Either central authorities are seen as imposing policies on localities or local administrators are seen as reshaping programs that come from above to suit their own priorities (Sabatier, 1986). This implies that when the center and localities agree, localities must be conforming to the center (Mazmanian & Sabatier, 1983). Conversely, if localities behave independently, they do so to frustrate the will of the center (Pressman & Wildavsky, 1984). These patterns do appear in Wisconsin. The reform was strongly led from the center, and toward the end of the reform period, the state government in Madison did impose its will on the counties, converting them all to a W-2 model of welfare (Mead, 2000). And as I note below, some counties resisted the state insistence on enforced participation and "work first."

The leading counties, however, were out in front of the state. They gave the lead that the state and other counties followed. And for much of the reform period, the lead counties and the state government pursued similar goals. Each competed with the others to find the best way to transform welfare. Rather than one coercing the other, the thinking and experience of Madison and the lead counties converged on the model that became W-2. This suggests not top-down or bottom-up, but what I will call an interactive model of implementation: Confronted by a similar challenge, problem-solving governments at all levels work on it in parallel and arrive at a similar solution. This presumes that they essentially agree about the nature and importance of the problem. In Wisconsin, Madison and the leading counties did agree on viewing the main welfare problem as low work levels by the adult recipients. They also agreed that it was urgent.

We often think that the dispersion of power to many centers in American politics leads to gridlock or the frustration of initiative. But recent authors have argued that if the many centers face a common problem, the rivalry between them can drive innovation faster than if initiative were concentrated. Partisan division between the federal branches of government may not impede the production of major legislation but actually abet it (Landy & Levin, 1995; Mayhew, 1991). The interactive model proposes that the same thing can occur during implementation. Both the state and the counties sought to conceive and implement welfare reform, and as they did so their interplay produced faster change than either could have produced alone.

This research is based mainly on field interviewing of Wisconsin welfare officials at the state level and in 10 counties in the mid-1990s.[3] The counties I visited were chosen first to include most of the largest in the state (Dane, Kenosha, Milwaukee, Racine) and also those that state officials viewed as reform pioneers (Grant, Kenosha, Sheboygan). I also asked to visit counties that were not high performers in the state's eyes. These counties—including some already mentioned—had either resisted "work first" (Douglas, Marathon, Milwaukee, Racine) or only recently changed in that direction (Dane, Fond du Lac, Winnebago).[4]

In each county I (and in some cases a research assistant) spoke to a roughly representative selection of line staff and managers in the welfare department and in the Job Opportunities and Basic Skills (JOBS) training program. JOBS was the principal work program attached to AFDC in this period and the predecessor of W-2. My questions focused on these main subjects: How did the counties serve welfare recipients in JOBS? What approaches worked best? and How would they explain the rapid decline in the Wisconsin caseload? The interviews allow me to show in some depth how the counties changed welfare or why they did not.

I first describe the counties based on the interviews, then compare these impressions to how the counties actually assigned their clients and how much they reduced caseloads according to program data. Results confirm that the leading counties generally did have high levels of enrollment and placement in job search and work compared to the other counties, and that they tended to drive caseloads down by more. Thus, the state's preference for these counties as exemplars was rational, given how it wished to change welfare. The program data also show a sharp reorientation of all the counties toward tighter administration and "work first" between 1993 and 1995 as the state applied pressure to change in that direction. In addition, I draw on government documents collected in the counties and in Madison.

KENOSHA

The most important of the pioneer counties was Kenosha, a mixed urban and rural county in the southeast corner of the state. During the reform period, it faced unemployment problems due to a declining industrial base. It also confronted a migration of low-income people from Chicago seeking a better environment. Some of them went on welfare. Local upset over this helped to make welfare migration an issue in the county and then the state. That helped to trigger the Wisconsin reform in the mid-1980s (Corbett, 1995, pp. 34, 36).

LEADERSHIP

One of the keys to the statewide reform was that politicians and administrators performed complementary roles. The governor and legislators set the agenda by defining the welfare problem and calling for change. But then they left administrators the leeway to craft actual programs and trusted them to do so. The same thing happened in microcosm in Kenosha. Welfare was given a local mandate for reform by the Public Welfare Board, most of whose members were also county supervisors. It called for a reform promoting employment. Although most of the members were Democrats, the board operated in a nonpartisan manner, a hallmark of Wisconsin's Progressive political style. Welfare managers were delighted that they could "go to them with ideas" and get support and yet not be told what to do. The principal figure who fronted for the welfare department with the state was county executive John Collins, by all accounts a forceful and effective leader. Collins, said one official, was "as liberal Democrat as they come," but he also treasured a "strong work ethic." The Kenosha reform would, above all, vindicate that value.

The county also developed an enterprising group of welfare managers. Clark Earl became director of the welfare department in 1981. Finding Kenosha's existing welfare work program to be ineffective, he was willing, he told me, to "knock heads" and "make everybody change," and he did so. That style eventually made enemies. Earl came into conflict with Collins and, by 1993, had left the country, but not before he had broken the mold of welfare in Kenosha. A key lieutenant was George Leutermann, who headed income maintenance under Earl. He kept that role after leaving county employment to work for Goodwill Industries, after Goodwill became chief contractor for the new Kenosha work program. Later still he headed up Maximus, one of the private agencies chosen to run W-2 in Milwaukee. A third figure was Larry Jankowski, who joined Goodwill in 1989 to head up the Job Center, which was to run JOBS and other work programs in Kenosha. This ambitious group, seconded by other managers and staff, transformed welfare in the county. Their efforts would eventually have statewide, national, and even international repercussions.

WORK EXPERIENCE AND JOB TRAINING PROGRAM

The view that established work programs achieved little was shared by the state. In response, the legislature in 1986 created the Work Experience and Job Training (WEJT) program. WEJT was supposed to serve more recipients more intensively than earlier programs, using added state funding. Welfare mothers might be obligated to participate when their youngest child turned 2 years old, rather than age 6 in earlier programs. WEJT was to be piloted in five counties in 1987. It predated by 2 years the national JOBS program, which it much resembled, and was folded into JOBS after that program began in 1989.

The Kenosha managers applied to run one of the WEJT pilots to get extra financing for their ideas. They were selected.[5] Working through a management group of local agency directors, they crafted a model designed mainly to achieve early client involvement and maintain it. Recipients found mandatory for WEJT were to go directly from eligibility determination into motivational training, then into skill assessment, and then into a series of training or work assignments with scarcely a break. Continuous case monitoring by staff was to produce continuous engagement, thus countering the tendency of clients to drop out. Participation was not time-limited, as in some earlier programs; there was to be "no exit," Leutermann said, short of going to work or leaving welfare. Participation was also demanding. Recipients were to achieve a "simulated work week" of as much as 32 hours of activity to get them used to the demands of employment. The idea, Earl said, paralleled the thinking behind the Saturation Work Initiative Model (SWIM) in San Diego, an important federally funded experiment of the same era that aimed to maximize participation (Hamilton & Friedlander, 1989).

The initial implementation of the program in 1987 was troubled. WEJT was initially contracted to the local Private Industry Council (PIC), the agency that ran training programs under the federal Job Training Partnership Act (JTPA). The PIC, however, chose to serve only the 250 participants specified in its contract. It did this by "creaming," or concentrating on the most employable cases as JTPA traditionally did. The county had expected, rather, that it would serve the entire welfare caseload found mandatory for WEJT (more than 1,000 cases), as only this would change the nature of welfare. A team of academic consultants recommended that the county reassert authority over the program (Corbett, Mead, Stumbras, & Wiseman, 1987).

It did so forcefully. Control of the program was shifted back to the management group, and later in 1987 WEJT was recontracted to Goodwill and other nonprofit agencies. For several months, in Leutermann's words, the Kenosha managers "went on a rampage." Implementation of the program was slowed while staff audited every case to find out what their clients were really doing or not doing. Out of this caldron, Kenosha developed the staff capacity and routines to monitor its cases and follow up on dropouts as closely, perhaps, as any welfare department had ever done. This administrative mastery was to be the foundation of everything the county achieved.

WORK FIRST

The model still had to be fine-tuned. Initially, WEJT everywhere in the state stressed putting recipients in education and training rather than right into jobs. The goal was to raise skills so that clients could get well-paid positions and thus get entirely off welfare and stay off. Later evaluations were to show that this approach generated smaller gains in earnings and reductions in dependency, especially in the short term, than putting people to work immediately in the jobs they could already get (Freedman &

Friedlander, 1995; Riccio, Friedlander, & Freedman, 1994). Already in 1988-1989, the Kenosha managers realized that many clients were failing to complete training assignments and go on to jobs. So they shifted away from "education for education's sake," Jankowski said, toward education aimed more directly at jobs.

Then in late 1989, Governor Thompson approached them and asked them to pilot a "work first" model for the state, offering them extra money to do so.[6] A working group of personnel from all levels sketched out a model that was similar to WEJT but emphasized immediate work more strongly. Applicants for aid referred to the program were to undergo "immediate immersion right away" and participate for 8 weeks before they even "came up for air," Jankowski recalled. This involved an initial week of orientation and assessment followed by 7 weeks of job search, after which cases not getting jobs were put in community service positions. The philosophy now was that "You do not need an education to get a job," one supervisor told me. Rather, "To get a job, you need to work." The county continued to refer many clients to education and training—but now they normally had to be working at least part-time first. That step away from the remediation strategy would eventually be followed statewide, then nationwide. Kenosha became one model for the Work First program, oriented to job search and diversion, that the state implemented starting in 1994.

RESOURCES

The Kenosha managers were adept at getting extra money from the state and Washington to implement their ideas. Whatever experimental program came along, they applied to run it. "If it sneezed we piloted it," Leutermann joked. "I still have calluses on my knees." He had obtained a $350,000 federal grant to pursue interstate welfare fraud (clients drawing welfare in Wisconsin while living out of state) even before joining the Kenosha welfare department. For the five WEJT pilots, the state allocated $1.8 million of its own money, over and above usual welfare work funding. To run "work first," Thompson offered the county $100,000—it bargained for and got $350,000. Later on, after JOBS replaced WEJT, Kenosha and Jackson received funding sufficient to serve 70% of their caseloads because they had achieved high participation, whereas other counties were funded at only 47% (Legislative Fiscal Bureau, 1991a, pp. 22-23; Legislative Fiscal Bureau, 1995, p. 21). Still further funds came for county experiments in job centers, case management, and client tracking.

Kenosha used this money to build up the bureaucracy so that clients could be served and monitored with unprecedented intensity. WEJT hired new staff, especially case managers who could go one-on-one with clients, helping to sort out the problems that barred them from working. The program used teams of staff to serve clients, a structure that called for more personnel than single-case managers (see below). Most of this buildup occurred in the late 1980s, according to respondents. From 1990 on, WEJT and JOBS had 50 to 57 staff members annually, or about 1 for every 50 cases—an unusually high ratio for welfare work programs nationally.[7] Because caseloads fell virtually throughout the reform period, this alone permitted smaller caseloads without any additional hiring at all.

EFFECTS OF WEJT

WEJT's primary goal was to raise engagement in the program, and this it achieved. According to Kenosha data, by early 1989, almost two thirds of the recipients eligible for WEJT were either participating in the program or employed at least part-time—rates exceeding even those achieved in SWIM ("Welfare Reform," 1990). Participation here meant any activities at all. Under JOBS, the standards were tougher. To be counted as participants, clients had to undertake at least 20 hours of activities a week, and complete three quarters of them. On that basis, Kenosha WEJT in 1990 achieved participation rates as high as 55% (Wiseman, 1991). This was vastly above federal norms for JOBS, which in 1990 required only 7% of eligibles to participate, rising to 20% in 1995.

Evaluations elsewhere suggest that one feature of high-performing welfare work programs is that they enforce participation stringently, as Kenosha did (Mead, 1997b). This suggests that Kenosha WEJT might have had substantial effects on its clients. A county follow-up succeeded in interviewing 39% of the clients who had left the rolls between late 1989 and early 1991. More than 60% were employed, that rate was sustained even a year after leaving welfare, and the rate was slightly higher for clients who had been in WEJT than for those who had not ("Evaluation Report," 1991). A state report found that Kenosha JOBS placed 30% of its clients in jobs in 1993, the highest of 10 large county programs (State of Wisconsin, 1994, p. 6). Such figures are consistent with a sizable employment impact, although they do not prove it.

Kenosha's programs were not rigorously evaluated. One statistical comparison of Kenosha WEJT to non-WEJT programs in similar counties suggested that it merely reduced the caseload by somewhat more in 1988-1989 than would have occurred otherwise. WEJT was given an experimental trial in Rock County, and there it actually reduced earnings and departures from welfare compared to the control group (Pawasarat & Quinn, 1993, chaps. 11-12). If WEJT in fact had little impact, the reason might be that the earlier work programs, which defined the baseline, were more effective than the Kenosha managers believed. Another reason might be that, as mentioned above, the program initially overemphasized education and training at the expense of employment.

So Kenosha's impact remains probable, not proven. Close observers of the program, however, certainly believed it was achieving something. For the state, the county was an exemplar, and in 1992, the National Alliance of Business honored Kenosha as the best JOBS program in the country.

TENSIONS WITH THE STATE

Despite their achievement, however, the Kenosha managers "weren't easy to deal with," remarked Gerald Whitburn, who headed the state welfare department in 1991-1995. He recalled that Collins used to call him up and bend his ear to get extra funding. He respected the Kenosha managers because they "walked the talk," and showed conspicuous "professionalism," but he also found them "tenacious" about their own ideas. The program, said another state manager, finally became a "wayward child."

The issue, curiously enough, was "work first." Although Kenosha helped lead the way toward a focus on actual employment, the county resisted the extreme of "work first" represented by later state policy. The county's model really put participation rather than work up front. It demanded the immediate immersion of clients in the program, but they also received some preparation before they were expected to go out and get a job. One could not expect recipients to go out "cold turkey" and land positions, Jankowski remarked. They needed first to be oriented and motivated. W-2's policy of demanding employment even as a condition of aid, Earl said, was simply a way of "blowing people off welfare." Kenosha also opposed the 2-year time limits that W-2 placed on any one assignment. Even under "work first," the county still placed many clients in training alongside work. The idea of combining work with training, Leutermann said, got "lost" in W-2.

GRANT

Grant is a rural county in the southwest corner of the state. Here the local welfare director, Jon Angeli, had created a work program in his own image during about 10 years. His approach was "family-centered." Angeli believed that it was usually problems within a poor family, for instance, spousal or child abuse, that threw it on welfare and prevented it getting off. The solution was intensive intervention in the family by caseworkers. Angeli recruited welfare and JOBS personnel who embraced his approach, then sent them to the University of Iowa to be trained as "family development" specialists at the National Resources Center on Family Based Services.

Grant's approach was closer to traditional social work than Kenosha's. It focused initially on the family rather than employment. The idea was that past failures caused a family to feel powerless, then to react in dysfunctional ways, then to abandon self-sufficiency and go on welfare, in a descending spiral. The role of caregivers was to reverse that spiral with attention and services that would restore confidence, improve functioning, and eventually get a family off aid. Work was the end of the process rather than the beginning. Only thus could one reach what Angeli called the "sociologically unemployed." His sizable staff of social workers and other aides allowed him to achieve caseloads of 30 to 50, permitting close attention to each case. In 1993, Grant placed 22% of its clients in jobs, a figure well below Kenosha and Sheboygan and only one point above the state as a whole (State of Wisconsin, 1994, p. 6). One reason probably was that the county focused less narrowly on employment.

At the same time, the approach was demanding. Welfare might lavish services on families, but it also opposed "enabling." It asserted "empowerment," or the idea that the poor must ultimately be responsible for solving their own problems. Families were to be seen as "capable and functional," not as "incompetent" (Siss, n.d.). From this premise, tough work expectations logically followed. JOBS in Grant County was severe about expecting clients to seek and accept jobs as soon as possible. In this it was seconded by the conservative ethos of the surrounding farming community. In rural areas, welfare is less distinct from the rest of society than it is in the big city, so families face greater social pressures to leave assistance (Rank & Hirschl, 1988). If the county was only average in job entries, that was partly because, as I note below, it had already driven the most employable cases off the rolls.

Another implication was diversion. To the extent possible, Angeli believed, families in trouble were to look to their “natural support systems,” including the “extended family,” before they asked for public support. Grant, like Kenosha, was a pilot for “work first,” but its main innovation was not immediate job search. Rather, the county demonstrated that one could keep most applicants for aid from going on the rolls if one confronted them about their own resources at the outset. The “family resource specialist” who did this was a talented young woman who had herself been in welfare. She found ways to get applicants into JOBS or work or to make other arrangements for them without their having to go on welfare. “A lot of people come in here expecting us to solve their problems,” she remarked, but they were taught that the solutions lay “within” them.

Not everyone agreed with diversion. Grant, like Kenosha, came into tension with the state, but for being too tough rather than not tough enough. Some other counties regarded Angeli’s strategy as virtually illegal. Grant was talking people out of assistance that they had a legal right to. That feeling reflected the traditional entitlement view of welfare that the state reform would finally reject. Angeli and his team responded that they were merely serving the needy more effectively. Although the state funded the county to develop diversion, managers in Madison were cool about adopting that strategy statewide, until it became a facet of Work First in 1994. Jean Rogers, head of income maintenance at the state level, recalled that Angeli “was pushing the envelope as far as he could push it.”

SHEBOYGAN

Sheboygan is a small city with a mixed economy on the Lake Michigan shore north of Milwaukee. Much of its caseload consisted of Hmong refugees who had migrated to the state from Southeast Asia following the Vietnam war. Although most of these families were two-parent, they had serious difficulties adjusting and learning English, and thus many subsisted on welfare. Here, as in Kenosha, the county welfare department had become dissatisfied with the existing welfare work operation. JOBS and earlier programs had been run by the local branch of the Job Service, a federally funded voluntary job placement agency. They had served only a small part of the caseload.

Sheboygan’s solution was not a home-grown program. Rather, the department contracted JOBS to Curtis and Associates, a private firm that had run employment programs in several states. Curtis created a harder nosed version of Kenosha. There was a similar stress on up-front job search, but the goal was more often full-time employment. Kenosha tended to leave families still on the rolls, receiving a partial grant to supplement part-time wages. Sheboygan aimed to get families entirely off welfare, which full-time work usually would do. If a client had not found work after 4 to 6 weeks of job search, he or she would enter a community service job but continue to look for work. If clients were assigned to remediation, it was usually English language training rather than more advanced education.

The program kept clients active through the same close follow-up seen in Kenosha. By 1992, Sheboygan claimed to have achieved a participation rate by JOBS standards of 56%, like Kenosha's vastly above national norms. The county became known as a forceful placement operation. In the last half of 1992, 28% of the county's cases recorded earned income, compared to a state average of 18% ("Sheboygan County," n.d., pp. 3, 9). In 1994, according to a state report, Sheboygan placed 40% of its more disadvantaged clients in jobs, a rate second in the state among 27 mid-sized programs (State of Wisconsin, 1994, p. 9).

Sheboygan also excelled at diversion, or helping applicants for aid without putting them on the welfare rolls, for instance through temporary assistance or by referring them to local charities. This was one of the first counties to implement Work First when it began in 1994. The result was a sharp fall in the county caseload. The state assessed Sheboygan's Work First operation so favorably that it later contracted with the county and Curtis to consult with other county welfare departments about how to reduce their own caseloads, as this was a requirement for the departments being chosen by the state to run W-2.

CHANGING COUNTIES

Besides these pioneers, other counties supported welfare reform by showing that they could change toward higher participation and "work first" once pressures to do this appeared. In some cases, change occurred because a county became a pilot for one of the Thompson experiments in welfare reform. Those programs, strongly shaped by the leading counties, helped spread their ideas around the state. The following were cases among my research counties; no doubt there were others.

DANE

Dane County, which contained Madison, Wisconsin's capital and second-largest city, was one of the most liberal jurisdictions in the state. Here JOBS had strongly stressed the education and training of the recipients rather than putting them to work or reducing the caseload. But by the 1990s, a failure to raise participation and generate job entries led to disquiet at the state level and, finally, in Dane itself.

Administrators candidly admitted shortcomings. Then JOBS went through changes similar to, although less far-reaching, than those Kenosha had undergone years before. On the advice of the same consultants that advised Kenosha, in 1992 JOBS was taken away from the PIC, which had run it poorly. It was recontracted to other nonprofit agencies whom the county monitored more closely. In 1993, the county tripled the number of JOBS case managers, reduced caseloads, enforced participation, and reassessed all cases for employability. "We can now say," it reported, "that our case managers know their caseloads." The length of time recipients could study before going to work was cut back. By all these changes, the program began to close the gap with state averages in terms of participation and job placements ("Dane County," n.d.). In 1994, Mary Ann Cook came from the state level to take over as JOBS manager, promising further changes in the same direction.

The impetus for the changes was in part political. "The county board went to Kenosha and fell in love," Cook told me. Pressure also came from business. In a tight labor market, employers objected to JOBS' heavy emphasis on education and training when jobs were going begging. But the largest pressure came from within. JOBS staff themselves realized that their approach to the program, oriented to human capital, was outdated. They simply wanted to perform better.

WINNEBAGO

Winnebago County contains Oshkosh, a small city in east central Wisconsin. As in Dane, the JOBS program here had originally favored an education and training approach. There had been no overt pressure from political leaders or business to move toward employment, yet welfare and JOBS managers concluded that they had to change. They could see how state policy was shifting and feared that state funding for education and training might dry up.

So they had joined Work First, effective February 1995. The philosophy was now to be "work first, career second," local staff told me. A resource specialist had been installed, as in Grant, to divert applicants from welfare when they first applied for aid. Should they persevere, welfare intake workers were supposed to read them a statement about how JOBS in Winnebago had changed. The goal now was to make them "self-sufficient." They were supposed to "benefit from the good economy and abundant well paying jobs" in the area.

Should they apply for or receive aid, they would immediately confront a newly tough JOBS program that demanded near-immediate job search. The JOBS redesign had been done by a staff member imported from San Diego, the inventor of high-intensity welfare work programs and the home of SWIM. Although some officials had misgivings about the shift, others were enthusiastic. They felt they could at least reverse a longtime growth in dependency.

FOND DU LAC

Fond du Lac was another small city with an economy of light manufacturing. Here, as in Dane, the traditional approach to JOBS emphasized education and training. When I first interviewed in Fond du Lac in 1994, staff described remediation for the low skilled as their "highest priority," and they believed long-term education was "very successful." They hesitated to sanction clients (i.e., reduce grants) for noncompliance with requirements. They deprecated the rising pressure to enforce participation in the program or to reduce the caseload. All that just meant "money, money" for the agency, one case manager said—not helping people. The program seemed slackly run compared to Kenosha or Sheboygan, with many clients allowed to remain uninvolved for long periods.

But as in Kenosha and Dane, pressure to change had come from the county executive, other politicians, and business. Fond du Lac applied for and was accepted (along with Pierce County) to be a pilot for Work Not Welfare (WNW), the most radical of the Thompson experiments. WNW entailed not only front-end diversion and a demand that recipients go to work within 30 days, but a demand that they "earn" their grants with specified hours of work or training effort under tight supervision. Most radically of all, a family could draw cash aid continuously for only 2 years. All these features would be carried over into W-2. To implement this program, one manager admitted, would mean "a shift in our paradigm."

WNW began in Fond du Lac in January 1995. By the time I returned in June, diversion was in full swing, the JOBS program had been toughened up, educational assignments had been shortened, and the county was enforcing work as never before. Notably, the welfare department ran JOBS both before and after the change solely with its own personnel, without contractors. The shift had been wrenching, causing some loss of morale and the departure of some staff. They were replaced by others more committed to the work mission.

LAGGING COUNTIES

A final group of counties performed worse than the leaders in the terms Madison cared most about—job entries and reductions in caseload. In most cases, the reason was not that JOBS was poorly run. Indeed, by the standards of other states, JOBS and earlier welfare work programs were run well almost everywhere in Wisconsin (Mead, 2000; Norris & Thompson, 1995). Rather, it was because these counties dissented from the drift toward enforced participation and “work first.”

RACINE

Racine was a large county situated just north of Kenosha and feeling some of the same concern over welfare migration. It was a willing pilot of several of the Thompson experiments in welfare reform. It was also a leader in child support enforcement, another frontier of antipoverty social policy. In welfare work, however, Racine took a more moderate line than its neighbor to the south. It was less insistent that welfare adults participate in JOBS. When they did it demanded fewer hours from them, and it allowed them often to go into education and training rather than immediate employment. Overall, it was less demanding than the three vanguard counties, although more so than Dane.

The key difference from the pioneers, and also Dane, was that there was less internal pressure to change. Welfare officials and the elected officials standing behind them were more content with JOBS as it stood. They understood their program as a set of services through which recipients progressed, guided mostly by their own choices (“Racine County,” n.d.).

MARATHON

Marathon was a moderate-sized county in north-central Wisconsin containing the city of Wausau. Here the dispute with state policy was sharper than in Racine. When I interviewed in 1995, the JOBS manager told me candidly that she disagreed with "work first" and remained committed to an education-and-training approach. JOBS here sent many clients to the local technical college. The county refused to participate in any of the Thompson experiments. Some staff did feel that the emphasis on education had been overdone, but at most they favored shorter training assignments more focused on jobs. The county adjusted to state directives no more than necessary rather than taking them as cues for change, as Dane or Winnebago had done. For example, JOBS placed some clients in work, but in part to reap the bonuses that the state was then paying for job entries, the better to spend the money on training.

By state standards, JOBS was loosely run, allowing frequent nonparticipation. Far from rebuilding itself around the work mission, as in Kenosha, the welfare department in Wausau continued to give aid on the basis of need alone. It was largely detached from JOBS.

DOUGLAS

Douglas County was in the north of the state and included the city of Superior. Here again was a relatively passive JOBS program that felt little urgency about moving recipients into jobs. One reason might be that this locality was less exposed to welfare migration than the southern counties. Its economy was also less prosperous, with fewer jobs available.

The difference from the leading counties here was less that JOBS was wedded to remediation than that the agencies running the program had never fully internalized the work mission. The welfare department saw its role as giving clients all the benefits they were entitled to without attempts to divert. The job service, which ran work activities, emphasized assigning clients to public jobs as much as placing them with private employers. Services to help families, which Grant had made its centerpiece, were delegated to a group of nonprofit agencies funded by foundations.

Douglas had joined Work First, but the program had not reflected or produced the changes seen in Sheboygan or Winnebago. The resource specialist stationed at welfare intake was unable to stop eligibility clerks from processing applicants for benefits before alternatives could be considered. Welfare officials told me that it was "not part of our job" to put recipients to work.

MILWAUKEE

Milwaukee County contained the state's largest city and—by far—its largest welfare caseload. Here differences of philosophy with the state were compounded by serious operational difficulties. Local JOBS agencies were reluctant to enforce participation in the program. They also emphasized education and training heavily at the expense of job placements.

More important, JOBS in Milwaukee was poorly run compared to elsewhere in the state, although probably well-run by the standards of other big cities. The county welfare department had declined responsibility for the program for fear that it would prove costly. JOBS was run instead by the state welfare department and contracted to several local agencies, public and private. The program was also loosely run, with many clients sitting unassigned, without participation, for years. If staff tracked cases it was usually on their computers. They had much less face-to-face contact with clients than in the leading counties, in part because they had higher caseloads. George Leutermann summed up the situation in 1995, when he was working in the city: "Milwaukee hasn't reduced the caseload because they haven't had in place a system that could engage enough people to make an impact."

The state had lately attempted to tighten things up. In 1994, it organized the Milwaukee JOBS providers into two teams and made them compete for job placements, with results to affect their funding in the next year. In 1995, it instituted incentive payments to motivate them to make job placements, as it also did in the rest of the state. The unresponsiveness of the local public agencies would ultimately lead to the contracting of W-2 to a set of entirely private organizations.

STRUCTURAL INNOVATIONS

Besides policy changes that led toward "work first" and diversion, the leading counties and some others pioneered innovations in the organization of welfare work programs.

CASE MANAGEMENT

One of these was in how staff in welfare work programs served the clients. Traditionally, particularly in large programs, there are separate personnel to determine initial eligibility for welfare and then to run the JOBS program, to which the employable recipients are referred. Some clients get lost in the referral, which was one reason for a high rate of no-shows for JOBS. One solution is to colocate welfare and JOBS staff in the same offices to facilitate referral. Another is to have a single case manager preside over benefits and JOBS activities. Research suggests that this integrated approach does achieve higher participation and employment (Brock & Harknett, 1998).

Kenosha developed a third alternative—assigning clients to "integrated service teams." Income maintenance, JOBS, and child care personnel would meet with the client together. The face-to-face communication with the client and each other allowed them to address quickly any problems that might be blocking the client's nonparticipation. JOBS staff could also quickly tell welfare of any nonparticipation that might warrant a sanction. Under WNW, Fond du Lac adopted the same approach. It helps to account for the unusual ability of these programs to monitor their caseloads closely. On the other hand, it was costly because more staff members were needed to serve a given caseload. Largely to minimize cost, Sheboygan preferred to use single staff interacting with groups of clients in orientation and motivation sessions.

CONTRACTING

Another innovation was the frequent contracting out of work programs to private agencies. Although contracting was not new, it became more common as counties sought to change welfare. They often saw outside agencies as a way to do this without having to alter existing public bureaucracies. In Kenosha, WEJT and JOBS were contracted out because the county board viewed hiring under civil service as too costly. Also, Earl preferred a "corporate culture" where operators would be more accountable for results and also more "customer responsive." The reasoning was similar to the ideas behind the "reinvention of government" (Osborne & Gaebler, 1992). One of Kenosha's achievements was to maintain cohesion among its key managers, even after some became contractors themselves; Leutermann left county employment to join Goodwill, whereas Jankowski became a consultant.

Racine had a structure much like Kenosha's, whereas Sheboygan contracted its entire program to Curtis and Associates. Grant contracted with several agencies not only for itself, but for a consortium of five local counties that ran JOBS together. In Milwaukee, the structure used public and nonprofit bodies, then evolved under W-2 to one run entirely by private agencies.

JOB CENTERS

A third innovation was the idea of merging welfare work with other programs, such as the job service, JTPA (the PIC), or vocational rehabilitation. It seemed inefficient to run these programs separately, because they all involved determining eligibility, appraising clients for employability, and then referring them to training programs or to job search in the private sector. Why not create a "one-stop shop" using common staffs and funded by all the programs that could serve all the clienteles together?

This idea had been recommended by a state-level task force in 1985 and promoted by the state department of labor, but Grant was apparently the first county to create a job center in 1985. In 1987, the state provided funds to develop job centers, with money for 1989-1990 going to Kenosha and three other counties (Legislative Fiscal Bureau, 1991b, p. 13). With support from county executive Collins, Kenosha used those and other monies to acquire a failed shopping center and move all the participating agencies into it. The center opened in 1990 with half a dozen agencies, but grew to nearly 20. Its rooms and offices are plush and modern, poles apart from the typical run-down welfare office.

When people in Kenosha seek aid, they now go to this impressive facility, not to a separate welfare department. A large sign for the "Kenosha County Job Center" stands outside. The center symbolizes Kenosha's commitment to welfare, but also to making the system more work-connected and mainstream. In the county's words, the center "forges in the welfare recipient's mind the connection between receiving economic assistance and preparing for work supported self-sufficiency" ("Welcome," 1994). Similar (although less extensive) job centers were created in Dane and Racine. Similar centers were organized in Milwaukee, although they were overtaken by W-2.

MANAGEMENT INFORMATION

A final innovation, found only in Kenosha, was improved management information systems. Although Wisconsin had strong computerized reporting systems for welfare compared to other states, the data were not timely or detailed enough to satisfy the Kenosha managers. So they developed their own system with the assistance of Michael Wiseman, an expert on welfare management from the University of Wisconsin. The Job Center Information System (JCIS) ran on personal computers alongside the state system. It allowed WEJT to track individual clients closely as they progressed through the program. Staff could record assignment of clients to activities, generate lists of expected attendees at functions, and spot nonattendance quickly. JCIS was eventually displaced by an improved statewide computer system implemented in 1994.

PROGRAM DATA

The description above is based largely on my interviews at the state and county levels, plus some program documents. I also checked these impressions against how the counties actually assigned their clients according to JOBS reporting data and how their caseloads changed.

JOBS IN OCTOBER 1993

The data for October 1993, a typical month of that year, are shown in Table 1.[8] They mostly confirm the picture respondents gave of the counties. The base for the percentages shown is all recipients defined by AFDC as employable and referred to JOBS. Compared to the state overall, the leading counties excelled in the proportion of the referred whom they actually enrolled. Enrollment is a good measure of a program's authority, its ability to get recipients to take the work test seriously. The lead counties also minimized people who were in unproductive holding statuses or who were sanctioned for noncooperation. Past research suggests that demanding work programs actually reduce sanctions because they leave participants in less doubt, compared to more passive programs, about what is expected of them (Mead, 1985, p. 237).[9]

Above all, the lead counties had high proportions of clients in job search and actual work; 40% in Kenosha and Sheboygan were working either in regular or community service jobs. One surprise is that the leaders also had fairly highly proportions in education. This was partly because their high enrollments gave them more clients to assign to all activities. Also, Kenosha assigned many to training and Sheboygan to English language instruction alongside work.

The other counties were less tautly run and less demanding. Enrollment usually ran lower than in the leading counties, and holding statuses

TABLE 1

Clients in Administrative Statuses in Research Counties, October 1993 (in percentages)

	Enrolled	*Holding Statuses*	*Sanctioned*	*Job Search*	*Regular Jobs*	*Unpaid Jobs*	*Remedial Education*	*Postsecondary Education*
Leading counties								
Kenosha	**88**	24	1	**8**	**37**	**3**	**11**	**12**
Grant	**87**	24	2	**6**	**26**	**7**	5	**17**
Sheboygan	**90**	11	1	**8**	**35**	**5**	**32**	**11**
Changing counties								
Dane	76	**34**	4	2	16	1	6	8
Winnebago	84	26	3	4	**26**	**3**	**15**	**10**
Fond du Lac	84	**33**	1	1	**24**	**3**	**13**	9
Lagging counties								
Racine	78	16	**8**	3	18	0	**8**	**15**
Marathon	**91**	29	4	3	19	0	**23**	9
Douglas	**95**	**52**	3	3	**23**	**3**	3	**12**
Milwaukee	86	**32**	**8**	4	19	1	4	5
State	86	30	5	4	22	1	7	9

SOURCE: Calculated from county caseload data from the Department of Health and Social Services.
NOTE: The base for all percentages is all recipients referred to the program. County figures above the state's are in bold. Clients in holding status include those on hold, scheduled to participate, unassigned, and those whom the program does not intend to serve or has asked to be exempted from Job Opportunities and Basic Skills (JOBS). Sanctioned means JOBS has asked welfare to reduce a grant for noncooperation. Regular jobs include full- and part-time. Unpaid jobs includes community work experience and work experience.

and sanctioning ran higher. Although Marathon and Douglas had unexpectedly high enrollment, they also had more clients inactive than the leaders, especially Douglas. Job search and work activity were mostly lower than among the leaders, but, except in Marathon, education assignments were not conspicuously high. Where the lagging counties fell behind the leaders above all was in making their clients active. As one might expect, the counties that were changing by the time I interviewed them in 1994-1995 fell between the leading and lagging groups in many of these respects.

JOBS IN OCTOBER 1995

Table 2 shows similar data for October 1995, 2 years later. The gaps between the groups of counties have manifestly narrowed. Now almost all the counties are enrolling above the state average—although, as I discuss below, that figure has fallen. All except Kenosha and Grant show reduced assignment to holding statuses. Sanctioning in the changing and lagging counties has fallen—except for a sharp rise in Fond du Lac due to the unusual demands of WNW. Almost all the counties show rises in job search and employment, with the increases generally greatest for the lagging group. The work rise extended to unpaid work assignments, or "workfare," notably in Fond du Lac again due to WNW. Less clearly, there is a fall in education assignments, particularly in the leading counties. Changes this sharp in only 2 years show a remarkable capacity for bureaucratic change, particularly in programs like these with entrenched routines.

The shifts largely track changes in the statewide totals, where we also see a fall in holding assignments and sanctioning, a rise in job search and work, and a fall in education. Yet the counties still differ in characteristic ways. Sheboygan still stands out for exceptionally tight administration. Kenosha and Sheboygan are still relatively tough on regular employment and Grant less so, whereas Dane and Milwaukee—the two most liberal jurisdictions—remain relatively soft. Marathon has raised work levels but not job search and continues to emphasize remediation.

The chief anomaly is that enrollment for the state as a whole has dropped sharply. In October 1993, 86% of JOBS clients were enrolled in the program; 2 years later, only 69%. The change is partly artificial—due to a new computer system.[10] It also reflects rising diversion. As the state's tougher work policies became clear, many people who went on welfare also left it quickly because they could see the work test coming. This

TABLE 2

Clients in Administrative Statuses in Research Counties, October 1995 (in percentages)

	Enrolled	*Holding Statuses*	*Sanctioned*	*Job Search*	*Regular Jobs*	*Unpaid Jobs*	*Remedial Education*	*Postsecondary Education*
Leading counties								
Kenosha	**79**	**38**	**4**	**9**	**39**	3	4	7
Grant	**91**	**24**	2	**9**	**33**	5	1	0
Sheboygan	**81**	10	1	**12**	**44**	**9**	**14**	6
Changing counties								
Dane	**81**	**26**	2	5	**24**	**6**	5	**8**
Winnebago	68	14	2	3	**38**	5	6	**9**
Fond du Lac	**81**	**29**	**10**	2	**34**	**11**	**10**	**10**
Lagging counties								
Racine	**82**	15	2	**11**	**29**	2	6	**14**
Marathon	**88**	20	1	3	**28**	5	**19**	**15**
Douglas	**80**	**22**	3	**12**	**27**	**6**	5	**11**
Milwaukee	**76**	**23**	**5**	**12**	**24**	**6**	2	5
State	69	20	3	8	23	5	6	7

SOURCE: Calculated from county caseload data from the Department of Health and Social Services.

NOTE: The base for all percentages is all recipients referred to the program. County figures above the state's are in bold. Clients in holding status include those on hold, scheduled to participate, unassigned, and those whom the program does not intend to serve or has asked to be exempted from Job Opportunities and Basic Skills (JOBS). Sanctioned means JOBS has asked welfare to reduce a grant for noncooperation. Regular jobs include full- and part-time. Unpaid jobs includes community work experience and work experience.

prevented them signing up for JOBS, thus depressing enrollment, although the effect was still to reduce the rolls. The change might reflect the incentives the state was now paying to counties, which rewarded job placements rather than enrollment.[11]

Between 1983 and 1993, Wisconsin's AFDC mothers became more often Black, unmarried, younger, less educated, and with younger children (Cancian & Meyer, 1995, pp. 10-30). This is what one would expect; the rolls were falling, taking the more employable cases off welfare first. Consistent with this, the clients referred to JOBS between 1991 and 1995 became somewhat younger and with less education and work experience. They also became more short-term, suggesting that the older, longer term cases were likely to leave the rolls first (Mead, 1996, pp. 12-14).

CASELOAD FALL

How did the differing county policies affect outcomes? The main goals of welfare reform, at the state and county levels, were to raise work levels among recipients and the poor generally and also to drive caseloads down. The work goal was the more important because the Wisconsin reform never questioned welfare as such; the state continued generous benefits and services in AFDC even as it implemented tougher work tests. Nevertheless, caseload changes are the best indicators of county effectiveness in reform. We have data by county on caseloads but not on work levels among present and former recipients, nor among the poor generally. And because the reform did apparently raise work levels for the state as a whole (as noted above), caseload fall is one indicator of success, although far from a sufficient one.

Table 3 shows the extent of caseload decline between October 1994 and December 1995, when Work First was first implemented, and also between January 1987, when Tommy Thompson became governor, and December 1995. The end of 1995 is a good stopping point, because in 1996 the state implemented more drastic changes, preludes to W-2, about which my interviews have less to say. During the longer period, the results show, as one might expect, that the extent of change is in proportion to the extent of reform. Grant, Sheboygan, and Fond du Lac have the greatest falls, in the latter case due to the special severity of WNW. Conversely, the least decline is in Dane and Milwaukee, which were the most liberal and the most loosely run. Kenosha had only an average decline because it refused to focus on caseload fall as much as on high participation.

TABLE 3
Change in Caseload in Research Counties (in percentages)

County	*October 1994 to December 1995*	*January 1987 to December 1995*
Leading counties		
Kenosha[a]	–12	–35
Grant[a]	–15	–69
Sheboygan[a]	–35	–62
Changing counties		
Dane	–12	–16
Winnebago[a]	–28	–57
Fond du Lac[a]	–48	–71
Lagging counties		
Racine	–15	–39
Marathon	–13	–39
Douglas[a]	–8	–45
Milwaukee	–7	–11
State	–12	–33

SOURCE: Calculated from county caseload data from the Department of Health and Social Services.
a. Participated in Work First or Work Not Welfare prior to December 1995.

In the Work First period, Sheboygan and Fond du Lac reduced caseloads the most. Grant, like Kenosha, falls back to close to the state-level change, in part because it had already driven the cream of its caseload off the rolls earlier. In other research, I have shown that the policies exemplified by the leading counties—high participation and job search—also promoted success in terms of the performance measures used in JOBS, for example, job entries made and cases closed (Mead, 1997a).

DISCUSSION

The Wisconsin developments fit the interactive model of implementation suggested at the outset. Madison was not fully in harmony with the counties, even the leaders, who also differed among themselves. And yet by a complex interplay, the two levels found their way toward policies of higher participation and "work first." The lead counties set the pace, the state followed, and changes in state policy then drove all the counties in the same direction. Yet the individuality of the counties was far from extinguished. Like ships in a convoy, they all turned in the direction the state wanted, but within those bounds each continued to chart its own course. This room for maneuver would continue under W-2. Although the new structure makes stiff demands for client involvement and work everywhere in the state, it also allows counties wide discretion about many details. It was this combination of state and local initiative that led to the near extinction of traditional welfare in Wisconsin.

The interactive model can only be proposed on the basis of this one state. To confirm it would take research on other localities. The key to the model is that all levels of government involved in implementation share the same goals and view them as important. Harmony at the level of ends and priority is what prevents the conflict or inaction that prevents implementation in other models. Only then can the levels problem solve in parallel.

To use Matland's ambiguity-conflict model, top-down implementation tends to occur where policies are clear and the levels disagree about them. Bottom-up implementation occurs when there is less clarity or less conflict. Wisconsin is a case of "administrative implementation" where policies are clear yet disagreement is muted (Matland, 1995). Disputes are then reduced to how best to achieve agreed goals. That situation is likelier in recent welfare reform, which has been a prominent issue, than in less visible areas of social policy. In the wake of the 1996 welfare reform, localities appear to be implementing work requirements vigorously but downplaying more contentious goals such as reducing unwed parenthood (Nathan & Gais, 1999). Thus, work reforms in welfare in many states may well display the interactive pattern. Wisconsin is unusual mostly in being precocious and thoroughgoing.

The Wisconsin case also casts a sobering light on the process of social policy development. Academic policy experts tend to think that successful programs rest mainly on good policy analysis and money. One figures out the best policy to solve a problem and then implements it with ample resources. But in the Wisconsin counties, planning was limited. The innovators drew their basic ideas from prior experience, not structured inquiry; deliberate analysis was confined mostly to planning the operational details.

And mistakes were made. With the apparent exception of Grant, every one of these counties had to redesign its welfare work program at some point, either because it failed to perform as expected or because of outside pressures. Or contractors had to be changed when they failed to produce. If there was policy analysis, it came mostly in the form of "groping along"

(Behn, 1988). Given how little was known about how to change welfare when reform began in the mid-1980s, better planning probably could not have achieved much more.

As for money, its importance was clear but easy to exaggerate. Wisconsin social programs are generally well-funded, and welfare reform is no exception. Today, W-2 draws on a plethora of resources from many agencies, public and private ("Resource Guide," 1999). In Kenosha, extra resources clearly helped the county to implement its innovations. But much of what all the counties achieved came by restructuring their existing operations rather than by expansion or hiring new staff. Much of the staff buildup needed to enforce work was "funded," not directly, but because the state caseload fell almost throughout the reform period. This shrunk the caseloads of the existing staff, which allowed them to serve the remaining cases more intensively, which in turn drove the caseload down further—even without hiring any new personnel.

More conspicuous in the Wisconsin story is institutional excellence. At the state level, governmental quality was pivotal to the state's ability to transform welfare. The two key attributes of the state regime were that elected leaders were able to agree about the direction of reform and that administrators were able to implement the complex changes that resulted, a process stretching over more than a decade (Mead, 2000). We see the same potent combination at the local level. Among the research counties in every case but Milwaukee, elected leaders were able to agree on a basic policy without serious divisions. And in every case but Milwaukee, serious operational problems did not impede programs from achieving that policy or changing as leaders decided was necessary.

Localities also showed civic idealism. When Tommy Thompson experimented with welfare, he depended on counties coming forward voluntarily to pilot his programs. To do this brought political credit to a county, but it also entailed making difficult changes in local expectations about aid and in welfare routines. Because of its special requirements, WNW was the most demanding of the experiments. Yet no fewer than 15 counties volunteered to pilot it (Thompson, 1996, p. 70).

Most important, the leading counties were exemplars of strong organization. Researchers have described what the effective implementation of welfare work programs requires. Managers must articulate a vision of a new policy and then recruit and organize staff who believe in it. That vision will be some version of the idea of social contract—serving clients in new ways but also holding them to "high expectations." They will be helped but they must also help themselves, above all by participating steadily. Each of the leading counties gave that message in a different way. Managers awarded staff considerable discretion about how to achieve program goals, but also held them accountable for key outcomes such as job placements. The staff in turn hold clients accountable for staying involved and looking for work. Reliable information systems report back on staff and client compliance (Bardach, 1993; Behn, 1991; Mead, 1986, chap. 7; Mitchell, Chadwin, & Nightingale, 1980).

The leading Wisconsin counties achieved exactly this. The Kenosha managers and Jon Angeli in Grant created essentially new organizations to realize their ideas. Sheboygan purchased such an organization from Curtis and Associates. All these programs were suffused with the upbeat but demanding values of successful work programs. Kenosha's watchwords—blazoned on its walls—included "Expect Success" and "Unconditional Positive Regard." The program aimed to be positive toward all its clients—and just for that reason to expect more from them. From a distance, such slogans can seem corny or empty. But by believing in them, the staff motivated clients and themselves. The tough side of all these programs was that managers held everyone involved, from the clients on up, strictly accountable for results.

The biggest difference among the counties was not in policy, but in how fully they claimed ownership of their programs. The low-performing counties were above all passive and detached. They went through the motions of a JOBS program imposed from above, without caring strongly whether it succeeded. That effectively left it up to the recipients to decide whether to work, and little change resulted. In the leading counties, in contrast, managers were proactive. They strained to use welfare to produce positive social change. That energy, as much as money, drove their programs forward. Even a program with quite a different policy—perhaps even one opposed to "work first"—might have done as well had it been implemented with the same conviction. The faith that effort was meaningful, that success lay within their grasp, was finally what motivated staff and clients to achieve their goals.

The commitment to success overrode even failures and redirections along the way. The changing counties dramatized this. They put their past behind them and turned, without looking back, to something better.[12] When I asked Jean Rogers, the longtime manager of welfare reform at the state level, what distinguished the pathbreaking counties from the rest, she cited not only willingness to experiment but "tenacity" and "singleness of purpose."

NOTES

1. This calculation, which compares current W-2 rolls to Aid to Families with Dependent Children (AFDC), somewhat overstates the overall fall. Some AFDC cases were transferred to income programs outside W-2, and the fall in noncash welfare (food stamps and Medicaid) has been less dramatic.

2. Interviews with Jason Turner on November 14, 1996, and October 10, 2000, and with Jean Rogers on October 10, 2000. Within the state welfare department, Turner was the chief manager of welfare reform from 1993 to 1997, and Jean Rogers headed the income maintenance division from 1991 to 2000. I also heard similar opinions from many other officials during my interviews.

3. I interviewed in Dane, Fond du Lac, Kenosha, Milwaukee, Racine, and Sheboygan in July 1994, and in Grant, Douglas, Marathon, Winnebago, and again Fond du Lac in June 1995. I made later visits to Kenosha in 1997 and to Milwaukee in 1995 and 1999. In 1994 and 1995 and on several later occasions, I also interviewed state officials.

4 I. depended initially on state officials to characterize which counties were high and low performers, but their judgments proved accurate. It is better to select cases for a study like this on the basis of variation in the independent term (here program features) rather than the dependent term (here program performance). But it makes little difference provided a wide range of variation in both terms is explored, as I achieved. See King, Keohane, and Verba (1994, pp. 128-140).

5. The other Work Experience and Job Training (WEJT) pilots were in Douglas, Jackson, Racine, and Rock Counties. The program was later expanded to much of the state.

6. "Work first" was also piloted in Jackson County, where the emphasis was also on employment before training, and in Grant County, where the stress was on diversion.

7. This calculation is based on staff data from annual Kenosha Job Opportunities and Basic Skills (JOBS) reports and county caseload data from the state Department of Health and Social Services.

8. Data for Table 1 comes from the Wisconsin Integrated Data System–Work Programs Reporting System (WIDS-WPRS) for the end of October 1993 and for Table 2 for the end of October 1995.

9. Kenosha, however, threatened many clients with sanctioning and then brought them into compliance with reconciliation consultations, avoiding an actual sanction. This was one expression of the county's intensive oversight of its clients. In October 1993 Kenosha was above the state norm in assignments to reconciliation, and in October 1995 Kenosha and Sheboygan were.

10. In making the changeover, according to state officials, welfare caseworkers at first referred some JOBS eligibles to JOBS multiple times, inflating the denominator of the enrollment calculation relative to the numerator. Some JOBS staff also postponed enrolling referrals due to overwork surrounding the changeover.

11. Counties were supposed to serve 80% of referrals in ways beyond enrollment, except Kenosha and Jackson, which—due to their extra funding—were supposed to serve 100%. But no fiscal sanctions were attached to achieving these targets.

12. When I first visited Fond du Lac in 1994, I had with me Bardach (1993). I expected to mention it to the managers, who had just agreed to join Work Not Welfare (WNW) and expected wrenching changes. But when I first met with them, there was the pamphlet on the table. They had already read and discussed it.

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In the current discussion on globalization, it is often argued that state power at the national level has diminished and authority has been surrendered to global market forces. In this context it is ignored that beyond state and market there is a private system of governance linking different territorial levels in which the national sphere continues to be important. Thus, self-regulatory arrangements exist across many policy fields, but business—which is a very globalized interest category—is particularly rich with examples. Various theories are developed to examine self-regulation as an alternative to public regulation through private actors in domestic and international levels. This article seeks to analyze and integrate these theories developed mainly within comparative politics and international relations studies. A successful integration of these perspectives can also help interpret globalization processes and the role of the national sphere in the context of different systems of governance.

INSTITUTIONS OF PRIVATE AUTHORITY IN GLOBAL GOVERNANCE
Linking Territorial Forms of Self-Regulation

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Globalization has gained momentum in recent years—as a developing trend in economic, cultural, and political life, and as a new and highly contested concept in academic research. It is debated whether globalization is a new phenomenon, exclusively characterizing the past few decades, or whether the process can be traced back several more decades or even centuries. From a more critical angle, it is argued that globalization is a myth and that internationalization is a more modest and appropriate concept to describe the variety of economic, cultural, and political processes unfolding beyond the state level. According to this view, we are seeing a continuation of the normal process of internationalization rather than a radical change. Moreover, and perhaps even more important, this process does

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not necessarily deprive states of their capacity to design their own economic and political strategies. This view was strongly advanced in a much cited work by Paul Hirst and Grahame Thompson (1996). When there are still possibilities left for governance at the national level, the authors are generally thinking in categories of public policy and state capacities. They do not pay much attention to inputs delivered by domestic interest groups in this process—or for that sake, to the fact that private organizations can assume public functions.

Indeed, there is occasionally some rhetoric connected with the benefits of globalization (and with the disadvantages), but it would be fatal to ignore and dismiss the actual trends toward globalization. This article argues that globalization is relevant to any framework used to analyze the evolution of different policy fields and emerging forms of institution building. However, globalization is an evolutionary and complex process that does not penetrate all states and does not reach them at the same time, nor affect them to the very same degree. Therefore, it makes little sense to discuss the consequences of globalization for the state in general terms.

Furthermore, the current discussions that attempt to define the changing role of states are mainly occupied with the possible surrender of authority to the market or to intergovernmental organizations or supranational institutions. Proponents of the free-market economy and supporters of third-way strategies agree that major importance should be attached to the state and market dichotomy, but they generally fail to recognize other mechanisms of governance. Again, this debate, which focuses on the increasing strength of market forces and the imminent disappearance of state capacity, is not very useful for understanding the complex processes of globalization.

Other forms of governance need study to provide a complete picture of globalization and initiate a move beyond state-centric thinking. The challenges of globalization reflected in the strategies of intergovernmental organizations have been recognized and expressed at many international conferences and seminars and have been the focal point of various programs and documents. In particular, the work of the Commission on Global Governance, itself a result of the endeavors to solve global issues, has highlighted these problems in recent years (United Nations Commission on Global Governance, 1995). Also, academic discussion has addressed these challenges, and among practitioners and scholars alike, global governance has become a new and celebrated paradigm, much in vogue throughout the past decade.

Basically, two aspects are encapsulated in this concept. First, it is recognized that there are a number of global problems that neither single states nor regional cooperation can solve satisfactorily. Second, the solution to these problems lies neither in the improved cooperation between states nor in the economic exchanges of the marketplace. Thus, an additional number of institutions must be involved in problem solving.

Cooperation between states on a multilateral basis within the framework of existing intergovernmental organizations and detailed through specific issue-based regimes is still regarded as a key ingredient of governance. However, multiple mechanisms of governance are recognized and different spatial levels are included in problem solving. Of paramount importance is that a key role is attributed to civil society institutions. Although nongovernmental organizations were also recognized in previous decades, they have now, at least officially, been given a much more prominent role. Numerous actors can make their own independent contributions in fields where interstate cooperation is already functioning and in areas where conflicts have made this impossible or provided suboptimal solutions. Research on globalization and new forms of governance, however, remains centered on state and market and gives much less attention to civil society institutions.

Another problem is that the debate on international and global governance tends to emphasize problem solving at the global level, even though implementation issues also concern national and local actors. To some degree, the contributions of other territorial levels to global governance are ignored, underestimated, or only on a relatively superficial level built into a coherent framework integrating different territorial levels. The blurring of the boundaries between domestic and international politics has been an interesting theme (Keohane & Milner, 1996; Risse-Kappen, 1995; Rosenau, 1997; Skidmore & Hudson, 1993), but one may say that too much energy is invested in explaining the strong pressures on domestic institutions and in examining the erosion of states as unitary actors and the influence of nongovernmental organizations on foreign policy. It should be remembered that private actors located at the global or national level not only seek to influence public policy in a traditional sense, but in a number of cases they move far beyond this to make their own solid contributions to governance. This article will focus on one specific form of governance provided by civil society, namely self-regulation through private organizations.

To investigate self-regulation and its coordination at different territorial levels, a theoretical integration of perspectives is required. An integration of ideas from strands of comparative politics and transnational relations builds on the notion that in the age of globalization, the national sphere as a whole is not necessarily weaker or weakening. Indeed, outside the sphere of public authority is a sphere of private authority that is not only given little attention but is usually forgotten. If the national sphere is regaining importance and becomes active in new issue areas in the process of globalization, it is, however, not necessarily because intergovernmental organizations breathe life into states or public authority is reinstalled to process the implementation of global regulation. Associations may develop their problem-solving capacities outside the framework of states and intergovernmental organizations.

This article will first take a brief look at the distribution of public authority between domestic and international levels and will evaluate whether a loss of control is identifiable and, if so, which group of actors assume control outside the realm of state and market. It will be argued that the national sphere is not identical with the power of the state. Nongovernmental organizations involved in self-regulatory arrangements are discussed to understand their regulatory capacities. They present an alternative to public authority and can be linked to global arrangements of private regulation. In such cases, key roles are held by private (not public) administration, and this seems to be one of the many consequences of globalization for public administration.[1] Research on private actors being delegated governmental functions or voluntarily assuming such functions will therefore be scrutinized in the next sections, and theories to analyze this in international and domestic politics will be discussed. Finally, the last section of the article will offer some ideas as to how different territorial levels and forms of private governance must be theoretically integrated to reach a better understanding of how global governance through self-regulation works and how it can be further explored.

STRIKING A NEW BALANCE BETWEEN THE NATIONAL AND GLOBAL LEVEL OF PUBLIC AUTHORITY?

A consequence of globalization is often the decline of the state. The arguments seem to echo each other. Where the state surrenders authority to international organizations or supranational institutions, a potential for establishing some form of global order is created, and if certain problems call for solutions beyond the level of nation states and if such problems become managed by global agencies, little remains for independent domestic policy making.

In many cases, however, it is quite difficult to identify exactly to whom influence is actually surrendered. Argumentation is imprecise, and whether authority is taken by other governance systems or other levels of public authority is not always evident. However, the sharp increase in economic exchanges and the growing impact of the world economy on national economies poses new challenges to national decision makers, making it difficult for governments to formulate and implement independent national strategies. In particular, the liberalization of markets during the past decades has made national economies much more open and vulnerable and has brought into question their regulatory capacities. Investigations into economic behavior suggest that authority is being taken by anonymous market forces or by a variety of economic actors, such as large corporations and business alliances that operate on a global scale beyond the control of states and even intergovernmental organizations.[2]

In recent years, numerous studies have emphasized these trends and pointed to a search for new forms of control. Most parts of this literature, however, are only concerned with domestic politics and consider changes from the perspective of national adaptation and restructuring. Thus, the application of new tools to reform the public sector, as discussed in the plethora of new public management literature, is analyzed within the framework of domestic politics. These contributions generally illustrate a diffusion of control without trying to identify specific new centers of power and link analyses to the issue of globalization. Other studies more clearly view the retreat of the state in the context of internationalization and globalization, and generally regard nation states as historical losers that do not surrender territory but authority. Certain sectors, such as finance, provide strong evidence of this trend (Cerny, 1993; Porter, 1993; Underhill, 1997.

Nevertheless, there have also been alternative interpretations of these developments. Between the overly optimistic voices who welcome this allegedly inescapable development and the pessimists who regret or want a return of state sovereignty, some argue that internationalization or globalization does not necessarily lead to a dismantling of national authority. For instance, European integration, with its multilevel character of policy making, is seen as a process where supranational institutions must rely on lower territorial levels at all stages in the policy process. This is offered as an alternative to the more traditional perspectives of neofunctionalism and intergovernmentalism that emphasize either the guidance of supranational institutions or the never receding role of member states. The European integration process has shown that new resources, for instance in the Southern European member states, as well as in the new applicant states of Eastern Europe, are called for at the state level. However, the multilevel governance approach does not only stress that governance is accomplished through different levels of public authority, but also points to the multiple actor character of politics, thus involving a variety of private actors at domestic and at the European level (Marks, Scharpf, Schmitter, & Streeck, 1996).

Under these circumstances, the exercise of authority by international organizations or the increase in interstate cooperation can lead to a revival of state control. Also, the proliferation of new issue areas and the expansion of public policy pose new challenges to governments and lead to regulation in fields where previously no state activity existed. A parallel development can be discerned at the global level. New issue areas are handled on the global scene by already established institutions or through the creation of new agencies.

In sum, it is very difficult to give a straightforward answer as to whether a decline in the role of states can be observed. Although much evidence supports this, there are a number of developments contradicting the thesis. The context of domestic politics is, however, changing quite rapidly. These changes are forcing a new balance to be struck between different territorial levels in the making of public policy. As a consequence, the most relevant and interesting studies address the compatibility of territorial levels and show how governance at the global level can be linked to and is dependent on regional, national, and even subnational arrangements. Just as domestic processes should not be studied in isolation of international developments, global governance should not be regarded as an isolated process cut off from regional and domestic processes.

Indeed, domestic and regional processes should be interpreted very broadly. It is evident that many global arrangements cannot be established without the contribution and consent of the member states of intergovernmental organizations. Inputs delivered by states are to a high degree the outcome of domestic interests and conflicts. However, the domestic inputs into global politics are not always provided or mediated through the behavior of states, as private actors have their own independent contributions to make. Likewise, the pressures on governments do not only come via intergovernmental organizations, but also through interest groups organized at international levels with ambitions to influence the behavior of single states.

Nongovernmental organizations are also linked at different national, regional, and global levels, and some studies have pointed to these linkages in different policy areas. Various transnational social movements participate in the formulation of policies at the global level and, through their affiliates and chapters all over the world, actively set agendas and implement programs at national and subnational levels.[3]

For instance, in the areas of developmental policy, nongovernmental organizations assist intergovernmental organizations in formulating policy and setting priorities. They are also involved at a later stage in the implementation of decisions in many third world countries where national or community-based institutions are, in part, encouraged and financed by international organizations. The support for these organizations also comes from global nongovernmental organizations that run programs through affiliates.

The cooperation between public and private organizations carried out at different territorial levels is an important institutional feature of global governance. Private organizations should, however, not necessarily be regarded as the weaker part in their interaction with states and intergovernmental agencies. As a matter of fact, private organizations have independent lines of communication and resources. They may establish stable arrangements of self-regulation through associations as an alternative form of global governance. An analysis of this specific mechanism of problem solving in civil society is reflected by the shifting balances of power in the system of public authority. Thus, states and intergovernmental organizations may, independently or through coordinated efforts, encourage the growth of nongovernmental organizations and provide a specific opportunity structure for the creation of self-regulation. At the same time and against the backdrop of actual or anticipated public regulation, private organizations may also identify concrete areas and territorial levels where self-regulation seems legitimate and practicable and design arrangements accordingly.

INTERNATIONAL AND GLOBAL FORMS OF PRIVATE AUTHORITY

The presence of private authority at the global level is not quite new, dating back at least to the last half of the 19th century, although at that time it was not as widespread. The demand for global rule systems was at least in part met through the regulatory efforts of early and emerging intergovernmental organizations (Murphy, 1994). Academic interest in the role of such private arrangements came much later. The idea that private organizations can play a role in global politics was long neglected or doubted because, from a state-centric perspective, the exercise of public functions through self-regulation seemed problematic. A growing interest in analyzing interest group activity in global politics could potentially confirm this view. If they are merely interpreted as pressure groups (Willetts, 1982) they are hardly recognized as stable players in the policy process, and there is less chance that they will be delegated tasks and become involved in self-regulation.

Early analyses of nongovernmental organizations in international or global governance centered on regulatory development in specific issue areas, particularly business. Global industries like shipping were urged to regulate the sector and provide some basic rules of competition to control spontaneous market forces and avoid state intervention (Marx, 1953). Few attempts were made to generalize this experience through comparative studies of different industries or policy fields. Thus, more coherent theories on the regulation through associations as a viable alternative to spontaneous market forces and hierarchical state intervention were not developed.

Private organizations have traveled a long way to become recognized as alternative rule makers in political research. Prompted by the globalization process and the search for new forms of governance, more attention has been given to the resources of nongovernmental organizations and, on a few occasions, their self-regulatory potential has also been examined. Still, there is no systematic account of their practices (UNCTAD, 1996). The issue of new forms of governance through private organizations has only become an object of research and theory building in recent years.[4]

For the most part, contemporary research is directed toward activities of different industries. Unlike the literature on the soft interests, such as the environmental groups, writings on producer groups do not generally try to link the global with the local or national dimension. This may perhaps be explained by the fact that certain producers can be categorized as global players. Global players formulate strategy by synthesizing their different national experiences, forming global industries and agreements, and moving forward without waiting for different national inputs.

The different forms of private authority are scrutinized mainly in relation to regime theory in the field of international relations studies and in studies on international cartels and other forms of economic coordination within the international political economy tradition. In the first case, inspiration has been sought in the well-established branch of regime theory focusing on interstate cooperation, whereas in the latter case research has been inspired by economic research into networks and alliances in the global economy. Regimes and cartels are not necessarily the two extremes of private authority, but are mentioned here as forms of private coordination that have received attention. Private regimes seem to be more related to political processes; they are often closely linked to and actively assisting intergovernmental organizations and vice versa (Haufler, 1993, 1997). Cartel-like forms of cooperation, on the other hand, are closer to the market sphere. In this way, the different organizational formats of private authority have been located somewhere between the more well-known governance systems of market and state. Thus, self-regulatory measures are interpreted more broadly than in comparative research on domestic arrangements. This point will be returned to in the next section.

Analyses of private arrangements are a useful contribution to theories on global governance. They show that the potential for creating mechanisms for self-regulation can be found in a very broad range of organizations and that the ability to regulate is not restricted to a specific group of organizations that are typically seen as underprivileged. The landscape of nongovernmental organizations is extremely varied, and there are reasons to believe that not all of these organizations have the capacity and infrastructure to become involved in self-regulation. Furthermore, self-regulation may not always be terribly relevant because these organizations do not provide any governance functions, but rather seek to monitor the behavior of other groups in society. This is, for instance, the case of many environmental organizations that pressurize producer groups and states to adopt more environment-friendly policies.

Many underresourced organizations are incapable of creating such mechanisms and are, in the best of cases, only able to monitor the behavior of other organizations or assist states in the national implementation process. Contrary to many myths about the individualistic creed in business life, studies on business organizations provide evidence of the collective norms and standards adopted at the global level, which is after all not that surprising given the global nature of many industries.

The problems raised in the recent literature on business groups, written in the international relations or international political economy tradition, are primarily related to the role of international or global organizations. Unfortunately, the consequences for domestic arrangements of self-regulation that develop simultaneously with formal arrangements are rarely considered (Hollingsworth, 1998). In international relations, it has been stressed that private arrangements can offer functionally equivalent alternatives to public regulation manifested through interstate cooperation. The departure of the international political economy with its strong emphasis on state and market has provoked a search for intermediary structures and new forms of governance that renew this discipline. Contributions have borrowed from and built on general approaches in industrial economics and economic sociology where the concepts of markets, hierarchies, and networks have been applied, although they are not related to any particular territorial level of regulation. Another source of inspiration has been early historical forms of self-regulation (Weiner, 1999), such as the rules applying to members of national guilds and fairs. In part, studies on global governance reference these early forms of self-regulation in the context of the new medievalism (Greif, Milgrom, & Weingast, 1994; Milgrom, North, & Weingast, 1990). Unfortunately, some of the more contemporary forms of self-regulation, developed in domestic contexts and with some explicitly embedded in the globalization process, have largely been ignored.

The empirical evidence provided is still rather limited, and only relatively few sectors have been investigated so far with attention primarily directed toward industries where production and markets are globalized. As yet there is no systematic evidence of which branches or industries, or which organizational formats, are best suited to host such self-regulatory arrangements and where their limits are. Therefore, to explore further the capacities of a variety of nongovernmental organizations in the global context and develop a more robust theory, it is essential to link theories developed to understand the global level of regulation with theories of national self-regulation to present a more coherent perspective of private authority.

NATIONAL FORMS OF PRIVATE AUTHORITY

Experiences with private authority are not limited to the global level. Various forms of self-regulation have emerged at national levels and have been examined in comparative public policy and comparative interest group literature. In general, this literature has not tried to trace the historical roots of self-regulation from medieval times, whereas relevant research can be found in other disciplines (Black, 1984). Historical traditions have not, however, been neglected altogether. They surface more indirectly as self-regulation is understood against the more general background of regulatory culture and political institutions that characterize a given country and enable and structure contemporary forms of regulation.[5]

Academic discussions of national self-regulation are specifically related to the role of interest groups and therefore generally apply a much narrower perspective than that found in the debate on international self-regulation. Thus, the growth of self-regulatory bodies was observed by political scientists in the 1940s, and has since been discussed periodically without any consistent conventions being determined (McConnell, 1966; Merriam, 1944).[6] It was relaunched and more systematically developed from the early 1980s, when a new set of tools was offered. These could be used to explore the contribution of associations to social order in domestic politics and thus formed part of a general attempt to develop the paradigm of neocorporatism. To some degree, inspiration was also found outside interest group studies. Here general theories on economic sociology and transaction cost economics proved helpful in explaining some of the institutional mechanisms that stand behind self-regulation within the economic organization of industries (Campbell, Hollingsworth, & Lindberg, 1991; Hollingsworth, Schmitter, & Streeck, 1994).

Self-regulation has been studied in different empirical contexts, with a number of interesting analyses directed toward specific industries where the different capabilities for self-regulation across sectors and countries were emphasized (Grant, 1987; Martinelli, 1991). Contributions have also come from outside the milieu of the neocorporatists, and although these do not share the same vocabulary, they are fully compatible with the basic idea that governance could be delegated or voluntarily assumed by private associations (Boddewyn, 1992). Again, the information is too limited to generalize about the advantages of certain sectors or associational structures in creating such mechanisms, but within this literature the phenomenon of self regulation has very much been linked to economic interest organizations and producer associations. Whereas the abilities of producer associations have been studied, the role played by consumer organizations or other interest groups in influencing and participating in such arrangements has not been considered.

Under the umbrella term *private interest government*, associations have been called a fourth pillar of governance alongside market, state, and community (Streeck & Schmitter, 1985).[7] It may be argued that the study of their activity is an interdisciplinary task, but it is mainly dealt with by interest group specialists. Consequently, there is rather a strong but incomplete similarity with the division of labor in the study of international self-regulation. Within an international context, the role of markets and the behavior of states have been examined within the specialized disciplines of economics, the activities of states have been dealt with in international relations theories, the state-market relationship has been explored in the international political economy tradition, and certain civil society institutions and interest groups have been examined in the transnational school of international affairs.

According to the private interest government approach, associations have to fulfill certain basic criteria to serve as private interest governments and to be accepted by government. Some of the key preconditions for establishing and running such arrangements are: a monopoly in the organization of a given interest category, an avoidance of an unacceptable degree of free riding, a capacity to achieve compliance among members, and a capacity to sanction violations of these rules.

Private interest governments can be quite effective, but these internal properties and dynamics are not sufficient and, according to this approach, their success also hinges on recognition from above. Although associations governing private arrangements are seen as an alternative system of order, they generally need some degree of recognition or licensing from the state. This granting of official authority to private actors shows that the state itself surrenders authority, and alternative power structures are established outside the immediate control of political institutions. The ability of the state and independent associations to enter into and sustain such domestic arrangements varies across sectors and countries, but is most likely to occur in fields with mature traditions of associability and with long-standing relationships of cooperation between the state and private sector associations.

One thing is very striking about these comparative studies. Ironically enough, self-regulation is only studied in its respective domestic context or brought into a comparative analysis by looking at a smaller group of countries, typically from the industrialized world, which generally have a higher degree of associability and a relationship between state and organized interests that is generally conducive to such arrangements. The existence of an international dimension is either completely ignored or only briefly mentioned as something peripheral to the existence of self-regulatory bodies. Even in cases where it would have been obvious to include the international dimension, such as in the highly global industry of chemicals, one of the most intensely studied industries that possesses a strong tradition of national self-regulation, this is rarely considered or mentioned as a possible framework for analyzing domestic arrangements. It is even more astonishing that this territorial dimension has been overlooked at a time when the process of regionalization and globalization has gained momentum and is an increasingly important part of discussions in the social sciences.

National forms of private authority are more than ever not an isolated phenomenon, but rather a development to be placed within the broader framework of governance and conceptually related to the parallel debate on global governance. It is important to stress that different national arrangements of self-regulation are not necessarily integrated into a global framework in the era of globalization. Indeed, in some cases globalization can erode the national patterns of regulation, including self-regulation, through the liberalization of markets (Coleman & Underhill, 1998). However, it would be wrong to see globalization as sweeping away the intermediate structures of the economy, as these can also tie different national arrangements together. To understand global governance—or even domestic governance—and establish a coherent framework for analysis, a common language must therefore be found. This requires an integration of theoretical perspectives that investigate the different territorial levels of regulation.

INTEGRATING THEORIES ON TERRITORIAL FORMS OF SELF-REGULATION

The blurring of the boundary between domestic and international politics has not led to a general reformulation of ideas, concepts, and methods among those trying to understand self-regulatory arrangements. However, the relevance of associations is noted in research linking national and international policy processes. The term *internationalized policy environments* refers to cases where "at least some part of policy-making takes place at a more encompassing level than the nation-state" (Coleman & Perl, 1999, p. 700). This term also includes cases of self-regulation, and although there is a potential for using this term to account for the vertical links between nation-based self-regulation and global self-regulation, the horizontal dimension at the global or the national level is better captured.

Although governance in the form of national self-regulation can be insulated and does not always need an international superstructure, global norms must generally be linked to and further enforced at lower territorial levels. Although the role played by these territorial levels is quite different, it is actually possible to find examples of self-regulation, which are global in character and are not shaped by distinct national processes, predating the formation of global self-regulation. In certain industries, for instance, small groups of global producers may coordinate beyond the level of individual states but not seek to establish specific national arrangements. These forms of self-regulation, which are not based on national processes, must therefore be further explored as a specific type of self-regulation.

At the very least, we can conclude from these observations that unlike global governance that is provided through intergovernmental organizations and based on the cooperation of states, governance through private actors is not always designed the same way because the private world is structurally more varied. The standard model of private regulation, however, still seems to be based on the cooperation between different territorial layers.

In other words, where the implementation of rules adopted within the framework of intergovernmental organizations is carried out by member states, national or regional affiliates of nongovernmental organizations have a role to play within the regional and domestic scenes. Although theories have been developed to analyze the relationships between states within the framework of intergovernmental organizations, there are almost no theories to assist in studying relationships between, for example, national associations and global nongovernmental organizations. Therefore, we are theoretically and methodologically less equipped to examine various types of cooperation in the management of self-regulation.

Analyzing linkages between territorial forms of self-regulation in their historical and political contexts clarifies two basic processes. First, in some cases problems are identified and discussed at the global level before a regulatory framework is developed. Then, as part of the scheme, this framework is translated into national rules by the organizations already in place. In this way, global rules cannot only be copied, but they may also be strongly affected by national styles of regulation and consequently reformulated. Second, different sets of national solutions have already been found (e.g., by a smaller group of forerunners) and then at a later stage transformed into global rules. Particularly successful or dominant national models may here serve as a pattern for global governance. Through push or pull movements, they can be exported by countries, in the most aggressive cases in a kind of “Pax Britannica” or “Pax Americana” style, or be imported by other countries to save implementation costs of already tested models. However, as different countries and organizations influence such rule systems, a compromise must usually be found between competing models or disparate practices. Whether the global level or lower territorial levels are playing a guiding role in these processes is likely to vary across issue areas, but as a methodological point of departure a thorough analysis should include all the different actors in this interplay. The analysis should therefore not be confined to a study of the specific organization involved in self-regulation but also be attentive of the role played by public authority and, for that sake, other private actors active in the same field.

National forms of self-regulation, increasingly also embedded within a framework of global governance, are as a rule easier to manage than arrangements located at the global level. In existing research it is emphasized that arrangements are usually organized through formal organizations, in particular associations that seek to recruit all individuals or firms in a given interest category and thus avoid free riding and noncompliance. Self-regulation is, in other words, combined with a variety of other activities that are traditionally found in associations. Thus, the integration of members is multifaceted and follows a complex pattern. As far as relations to the environment are concerned, associations are organized for political purposes and more noticeable in politics than most other private organizations. In cases where self-regulation is authorized and delegated by government, it is also kept under governmental supervision and the associations are held accountable for mismanagement and noncompliance. Under these circumstances it is easier for associations to offer self-regulatory arrangements and for political institutions to monitor them in the comparatively small national polities, where a more stable relationship of trust between associations and government may be sustained. The above features, although highly generalized and painted with a very broad brush, distinguish national self-regulation from global self-regulation. To exploit some of these advantages, global governance should build on national arrangements; however, this can never be accomplished through aggregating national models alone.

New problems are likely to arise in the creation of global arrangements and also in cases where international nongovernmental organizations operate as federations with affiliated national associations, either providing their own established solutions or trying to influence the emergent global regulation. Self-regulation designed as an alternative to public regulation to allow the free operation of economic actors in the market place can be managed in different organizational formats. This is illustrated in elements of international relations research (Cutler, Porter, & Haufler, 1999). However, as documented in comparative politics, of the many forms of self-regulation available, associations seem to have greater advantages.

It is also typical for research on national forms of private authority to be mainly occupied with formal organizations, especially associations, whereas studies on global arrangements interpret self-regulation in a much broader fashion and include a wider set of actor categories. Still, formal organizations also flourish at the global level, and there is potential for research in this area. Indeed, many interests are today represented in global contexts through a large number of nongovernmental organizations with a federated structure and a large proportion of them having a general ambition to include member associations from all countries to be representative in exchanges with their environment. From their associational structure at least, they have the characteristics of contributors to global governance. As with their national affiliates that are consulted by their own governments, many global associations are interacting with intergovernmental organizations and are being granted consultative status or other kinds of formal recognition.

Accordingly, a climate for voluntary self-regulation is created that in turn facilitates recognition from intergovernmental organizations and solidifies arrangements. Quite naturally, intergovernmental groups prefer delegating functions to well-known and reliable partners. Nevertheless, not all associations have the potential to host self-regulatory arrangements, and although research in this area is limited, it may be hypothesized that associations organizing narrow interest categories and holding a representation monopoly may be better suited to monitor compliance and sanction noncompliance. Size is important, but this does not suggest that large associations do not have such potential, although in this case more specialized agencies must be created to regulate the behavior of the members (Ronit & Schneider, 1999). The task of organizing self-regulation at the global level is immense, and therefore, the arrangements should only cover a specific issue area. If global associations have to monitor too many activities, there is a risk that self-regulation becomes unmanageable or vague and that global governance is replaced by rhetoric.

The process of linking domestic and in some cases regional to global arrangements is complicated. In some cases, different national styles of regulation can block self-regulation, for example, because self-regulatory models build on very different principles or because public regulation is preferred to self-regulation in some countries. In other cases serious conflicts do not exist between the different domestic practices, either because elements of self-regulation have been widely introduced or because no regulation is applied. Thus, space is relatively open for private organizations to offer this form of problem solving. Still, the process must be found to adopt a global rule system to meet new demands and divide labor between domestic and global arrangements.

Again, it should be stressed that the ability to provide a national basis for such arrangements differs significantly from country to country, something that interest group studies of the industrialized countries also suggest. Furthermore, there are strong discrepancies between the organizational resources available for regulation in developed countries and those in developing countries.

The latter group of countries is restricted in its spending abilities as limited public resources restrict the development of public regulation or the control of private arrangements. Additionally, private resources are scarce. Civil society institutions are often assigned an important role by international donors as well as others in the development of strategies for these countries. However, the associational landscape is generally immature and weak. Under these circumstances the import of regulatory traditions is likely to take place, although this will always have to be fit into a new economic, cultural, and political framework. Global actors such as the federated nongovernmental organizations, on the background of experiences from countries where self-regulation has already been adopted and successfully implemented, may assist in the introduction of self-regulatory arrangements and to some extent may help in monitoring and sanctioning at this level. Also, business firms, already involved in similar activities of self-regulation in other countries and committed through global agreements, may participate in the creation of national associations and networks, compensating for the lack of domestic self-regulatory traditions. Baseline standards following global arrangements rather than new national standards are likely to be imposed. Even though these standards are comparatively weaker than in the industrialized world, it is important to emphasize that they are linked to and partly managed through global institutions where an exchange of experiences is continuously taking place. In this way, steps can be taken toward global governance through self-regulation, which is based on different territorial levels.

CONCLUSION

In addition to markets and states, self-regulation through nongovernmental organizations is an alternative contribution to global governance. However, such complex arrangements can only be created and sustained through cooperation between organizations located at different territorial levels, including the national level and in certain cases also the regional level. Unfortunately and all too often, the role of the national or domestic level is confused with the part played by the state. Nevertheless, it is important to emphasize that the national dimension embraces public and private groups of actors and their problem-solving capacity. In other words, the retreat of the state is not necessarily indicating a decline in the role of the national polity simultaneous to the domestic organization of interests. Those who advance the retreat thesis, as well as those who dispute and deny it, often tend to neglect this actor category and fail to address this issue. The analysis of self-regulation is not confined to the study of private actors per se but also includes the environment in which their activity is embedded. Thus, the creation of domestic arrangements may also be based on or require some kind of initiative from government. If states have actually lost authority and competence, then these can probably be revitalized as a consequence of private rule making at the national level.

Governance through self-regulation managed by private organizations is practiced on the national as well as on the global scene and, in some cases, linked. It is also examined in different parts of the literature within comparative politics and in different branches of international relations studies, but very few attempts have been made to study how national forms of self-regulation are embedded in global rule systems. Thus, to understand how global governance works, it is necessary to scrutinize how it builds on and reciprocally influences arrangements at lower territorial levels.

Attempts to accommodate theoretical perspectives and bring the different disciplines and approaches together are rare; however, through a concerted effort by comparativists and international relations scholars, steps can be taken to avoid theoretical fragmentation or duplication. Comparativists can learn that self-regulation is not just limited to a given territory and structured by national traditions of regulation and interest group activity, but can also discover that, to a large and increasing extent, self-regulation is structured by external forces and shaped by the globalization process. At the same time, the study of international and transnational relations can provide insight into how a variety of national arrangements of self-regulation survive in a context of global governance. The great challenge, therefore, is to understand how the different territorial forms of regulation are combined and how they may further or impede global governance.

The study of national arrangements applies a narrow perspective and usually concentrates on formal organizations, especially if these are established within an associational format. Analyses of global forms of private authority have a broader orientation. Naturally, it is easier to identify similarities between forms of self-regulation that stem from comparable circumstances. Research into global private authority investigates more varied forms of private coordination and argues that problem solving in economic and political life can be provided through a plethora of associations, networks, cartels, and other types of rule systems. This open approach correctly moves beyond associations to identify how organized civil society institutions perform various functions of governance. Nevertheless, it is problematic insofar as it fails to elaborate on the role of associations as an alternative to public regulation. Associations are one of many organizational formats. However, in the study of domestic arrangements, they are given a more prominent position. The centrality of associations can be explained by their established role in politics. They have private administrations to run self-regulatory arrangements, and governments may find it easier to delegate regulation to such organizations that can then also be held accountable and forced to accept some degree of transparency.

A focus on the role of associations concerned with self-regulation at the national and global level should not exclude other formal organizations and informal alliances. Sectoral and country-specific variations should be respected and inspiration should be sought from a cross section of groups, sectors, and countries to further develop self-regulatory theory. It is no surprise that studies of national and international regulatory bodies have taken a keen interest in examining business relationships that in many industries are increasingly globalized while at the same time displaying highly complex forms of private authority. In the national and global arena there are many associations that may play an important role in politics without becoming involved in any kind of self-regulation. There are many areas outside business that must, however, be investigated. Thus, there are many professions that seek to guide members' behavior and have the capacity to sanction noncompliance. These include the typical professions as well as organizations like professional sports that establish their own codes of conduct.

Country-specific variation is also an important theme. It is evident that economic, political, and administrative resources are unequally distributed across different countries and regions. Although this may complicate the linking of arrangements, it may also explain some of the successes and failures of self-regulation. We know too little about these arrangements to draw any detailed conclusions; however, a few tentative answers can be offered.

National self-regulation has been shown to be most effectively managed within an associational framework. The design of global governance through private actors should take this model into account and, where possible, exploit its advantages. As interests are often organized through associations in national contexts, national associations can more easily fit into nongovernmental organizations, in the form of global federations, which monitor their behavior and sanction noncompliance. They exist available in rich numbers and enjoy consultative status with intergovernmental organizations in many policy fields. This suggests that self-regulatory arrangements can more easily be delegated to already recognized associations and, likewise, voluntary arrangements created by established associations will be accepted as viable alternatives to government action. It is in the industrialized nations that these patterns are present, and this creates a strong bias in the development of self-regulation. Although in some cases experience can be transferred, circumstances under which an established regulatory culture and model can be exported and implemented into new conditions need further exploration.

Because the study of global politics is mainly involved in a state or state and market discourse, self-regulation is an underestimated or even neglected issue. Empirical analyses and theory building in different areas of comparative politics and international relations can help us develop further insight into private organizations and their contribution to domestic and global problem solving. To this end, an integration of concepts and methods is needed. Eventually, this may also have some practical consequences. A better understanding of self-regulation and a more systematic account of the criteria for creating and sustaining such arrangements can assist private organizations in developing and linking new and alternative mechanisms of governance at different territorial levels.

NOTES

1. On this general problematique, for example, see Farazmand (1999).

2. Economic actors assume authority surrendered by states. For different formats of networks and organizations, for example, see Strange (1996).

3. For a general and more recent discussion of nongovernmental organizations, for example, see Smith, Chatfield, and Pagnucco (1997); Keck and Sikkink (1998); and Ronit and Schneider (2000). For a discussion on linking territorial levels, see also Princen and Finger (1994). Perhaps more than in any other issue area, nongovernmental organizations have been granted a role in the creation and management of environmental regimes where they assist in monitoring. See, for example, Keohane and Ostrom (1995) and Young (1997).

4. The older tradition of political economy began to study the emergence of cartels and trusts in the development of imperialism at the beginning of this century—and often from a Marxist point of view. The concentration and centralization of economic power in the hands of a few corporations across a number of key industries and the coordination of interests through private agreements was interpreted as a kind of capitalist planning. It could transform and mature into socialist planning with a change of ownership. Under all circumstances, private coordination was seen as producing a new form of global order. A modern precursor to the current debate on self-regulation is an interest in the socially responsible behavior of multinational corporations, which began in the 1960s and 1970s (e.g., see Kline, 1985). This aspect of business codes is also included in studies on global self-regulation, whereas the behavior of individual firms has not been addressed and integrated into analyses on national self-regulation.

5. A good example of how associations may practice self-regulation and help to solve societal problems is provided by Germany. The German tradition of associability is to a large extent based on the granting of public status and delegation of functions to associations. In this literature, historical forms are reproduced in a national context but unrelated to modern problems of globalization. This integration of associations into policy making also provides a framework in the creation of more specific self-regulatory arrangements. See, for example, Offe (1981), Kirberger (1978), and Mayntz (1992).

6. In these contributions, *private government* is a more encompassing term addressing more than just self-regulation through collective bodies. Additionally, large individual corporations are seen as governments that produce their own rules and maintain economic power in society.

7. For a later and more refined model taking up the same discussion and phrased in the terms of governance limited to national domains, see Schmitter (1990).

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