

Policy Tools and Democracy

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To avoid the strictures of the Endangered Species Act, which can shut down development, a cooperative governance experiment is going on in Southern California. California developers, environmental groups, and state and local officials are cooperating in environmental restoration plans. State and county parks and wildlife officials meet with developers and environmentalists to anticipate problems with sensitive species before they occur. Developers receive permits to build on part of their land in exchange for the dedication of some lands for habitat and funding of restoration work. Environmental groups, including the Nature Conservancy, have agreed to supervise and provide volunteers for restoration activities.

This kind of locally based, cooperative governance has implications for democracy. Environmental restoration gains in terms of public support as developer opposition to species protection is lessened. At the same time, democratic accountability may be compromised as environmental groups receive funding for collaboration in restoration activities they are supposed to monitor. Further, the absence of public controversy about growth in environmentally sensitive areas may undermine the possibility of a broader public debate about growth/environment tradeoffs.

Since the earliest days of the Republic, Americans have been skeptical of their government. Throughout the nineteenth century and into the twentieth century, we resisted the growth of the federal government. While the New Deal represented a watershed in terms of the role of the federal government in American life, many of the New Deal initiatives were temporary. It was not until the 1960s when a major, enduring expansion of government occurred. During the 1960s and thereafter, the federal government, as well as state and local governments, assumed new responsibilities in many policy fields, including social policy, the environment, consumer protection, and education.

Contrary to popular belief though, the growth of the federal government has not been primarily through direct government. Instead, it has been through a variety of more indirect means: contracting with private nonprofit and for-profit organizations, tax credits, vouchers, regulation, and loans, to name just a few. To a large extent, the debate on the merits of these policy tools has focused on efficiency and effectiveness considerations. If we contract with private organizations, does the federal government save money? Are tax credits to support low-income housing a good use of the taxpayer's money? Are faith-based social services supported with government funds more effective than other types of social service agencies?

In this chapter, we argue that the ongoing discussion about the many and varied indirect policy tools pays too little attention to the impact of these policy tools on citizen participation, democracy, and citizenship. We contend that these impacts should be closely scrutinized by policymakers because fundamental values are at stake.

We argue, then, that the choice of policy tools can fundamentally affect the governance of American public policies, including the opportunities for citizens to be

involved in public affairs, the accountability of publicly funded programs to the citizenry, the access of citizens to public services, and the rules and procedures regulating publicly funded programs. Further, differences exist among policy tools in their effect on citizen involvement in the policy process.

To make this argument, we initially discuss the inadequacy of conventional policy analysis in assessing the linkage between policy tools and democracy. We then identify the fundamental features and characteristics of democracy that might be affected by different policy tools. The heart of the chapter is then devoted to an assessment of the relationship between some of the basic dimensions of policy tools—including *directness*, *visibility*, *automaticity*, and *coerciveness*—and various aspects of democracy. We conclude by offering strategies for policymakers and citizens to consider to ensure that the choice of policy tools does not have a negative effect on democracy and on the capacity of public managers to be responsive to citizen concerns.

I. TOOL CHOICES AND DEMOCRACY: A BLIND SPOT

In the last twenty-five years, the role of government and the relationship between citizens and their government have undergone dramatic change. Beginning in the 1960s, the left and the right attacked the bureaucracy, particularly the federal bureaucracy, for different failures related to democracy.¹ The left attacked the bureaucracy due to concerns about the deprivation of individual rights and inequities in the provision of government services. The right shared similar concerns but was also concerned about governmental inefficiency and the stifling of grass roots problem-solving initiative. Across the political spectrum, it was argued that conventional approaches to governmental accountability and ideas of democracy did not work because bureaucrats possessed broad discretion that made it difficult for either elected representatives or citizens to hold bureaucrats accountable.

These attacks on the bureaucracy prompted a rethinking of government, public management, and the tools of government and a receptivity to new approaches to solving public problems. This shift in thinking about the design of governance has yet to produce a parallel shift in policy analysis and evaluation, however. Although it has long been recognized that the means of public policies are at least as important as their ends, and that policies have ancillary effects that extend far beyond the putative goals, conventional frameworks of policy analysis continue to focus on effectiveness and efficiency and downplay or overlook the impact that the choice of tool might have for democracy and citizen involvement. For example, most contemporary studies of welfare reform concentrate on the numbers of welfare mothers who have found gainful employment and the percentages of households removed from the welfare roles. Relatively few studies have focused on the impact of experience with third-party welfare bureaucracy on citizen propensity to participate politically.² Most studies of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (Superfund) have concentrated on the high cost and slow process of site identification, assessment, ranking, listing, remediation design, and clean up as well as the difficulties in locating hazardous waste treatment and disposal sites.³ Far less attention has gone into the effects of Superfund on grass roots initiative in solving problems and citizen perceptions of the role of government and of citizen responsibilities.⁴ The relative scarcity of studies of the impacts of tool choice on citizenship and democracy is all the more serious at a time when the landscape of governance is undergoing as fundamental a change as it is today.

II. DIMENSIONS OF DEMOCRACY, CITIZENSHIP, AND CIVIC PARTICIPATION

To understand the impact that tool choices can have on citizenship and democracy, it is necessary to begin with a clear notion of the basic dimensions of these phenomena. American democracy is an unfinished, open-ended project. As John Dryzek has argued, governance is in large part a striving to expand the *franchise*, *scope*, and *authenticity* of democracy.⁵ *Franchise* refers to the number of active participants in any political setting. *Scope* concerns the domains under public control. *Authenticity* is the degree to which democratic control is substantive, informed, and competently engaged. Citizenship is an identity or role that supports democracy. According to Mark Landy, citizenship is reducible neither to narrow utilitarian calculus nor to abstract ethical rumination. The ideal citizen is one who can synthesize questions of individual self-interest and public interest. Citizenship involves not only rights and privileges but willingness to make sacrifices. Civic participation must be closely related to the requisites of deliberation. Deliberation suggests balanced engagement in a discursive process in which learning and discovery take place.⁶ It is important that in the pursuit of stronger democracy and more robust citizenship and participation, one value not be sacrificed in pursuit of another. For instance, broadened franchise and participation are not worthwhile if it comes at the expense of authentic, informed deliberation.

The long-standing emphasis on a sharp dichotomy between politics and administration in classic public administration has led to a general neglect of the extent to which administration, including the selection of tools, affects democracy, citizenship, and civic participation. Insofar as democracy, citizenship, and participation have been matters of concern in administration, it has generally been in relation to curbing the excesses of centralized bureaucracy. Especially during times in which patterns of governance are undergoing fundamental change, it is important to examine carefully whether expansion or contraction of democracy is taking place.

Expansion of the Franchise

Identification of citizens with government is critical to franchise. For the better part of our nation's history, fundamental attachment of the country's population was primarily to localities, states, and regions. As political historian Laura Jenson has effectively demonstrated, beginning shortly after the Revolutionary War, the allocation of veterans benefits through direct policy tools bound generations of men and their families to the national government.⁷ The attachment of citizens to the nation grew enormously during the New Deal when direct involvement of the vast majority of workers in social security and other beneficial social programs dramatically heightened the salience and importance of national citizenship.

The choice of indirect policy tools that decrease the level and visibility of government as a source of values may well affect franchise. Moreover, policy tools that make the hand of government virtually invisible to the recipients of beneficial policy (e.g., grants-in-aid), while keeping it quite visible to those affected by restrictive policies (e.g., regulation), may cause an alienation from the central government.

Scope of Democracy

The scope of democracy is limited by the inability of disadvantaged citizens to participate fully in American life. As T. H. Marshall and others have argued, federal redistributive policies that guarantee civil, political, and social rights to all citizens so that

they might participate equally in all spheres of society are critical.⁸ As Salamon (Chapter 18 in this volume) has indicated, some tools are much more effective at redistribution than others. The choice of policy tools that are ineffective at redistribution or that are biased in favor of some and not others will have a negative impact on the scope of democracy. For example, research conducted by Suzanne Mettler supports the hypothesis that men of color and women were treated very differently from white males in the policy tools chosen by the New Deal, and that these differences persisted.⁹ A kind of dual citizenship was created: Social Security and the Fair Labor Standards Act applied mainly to white men in nonagricultural employment and were administered directly by the federal government, but Aid to Families with Dependent Children and Unemployment Insurance applied to women and minorities were administered indirectly through the states. The choice of third-party government tools deprived men of color and women of equal treatment and also deprived them of the social and economic status requisite to effective citizenship.

Authenticity of Democracy

Informed consent is basic to democratic governance. Paul Posner (Chapter 18 in this volume) has indicated the extent to which the choice of tool can affect accountability, that is, the ability of the citizen to hold government responsible for policy performance or even to know what policies and programs are being pursued. From a democratic authenticity standpoint, the preferable policy tools are those that generate and deliver sufficient and balanced information. Experience with policy should be a learning process in which both administrators and citizens become better informed. Yet, some policy tools obscure action and generate information imbalances.

In an era in which large numbers of citizens are disengaged and alienated from government, policy tools that promote citizen participation and involvement are generally thought to be beneficial to the authenticity of democracy. However, mobilization alone is not sufficient. Informed engagement must reflect the real consequences of policy on the public. Policy tools can mobilize only a portion of the affected population and reflect only narrow interests. The result is that on the surface policies would seem to command a good deal of public support, and yet latent opinion may exist that simply has not been stimulated by the policy tools being employed.

Citizenship and Democracy

Engagement in authentic discourse requires citizens with a capacity for empathy and regard for others. Such citizens must also be positively oriented toward civic activism and willing to devote time and energy to public life. The extent to which people adopt and take seriously the role of actively engaged citizens can clearly be affected by the tools and policies pursued by government. The direct, highly visible benefits afforded veterans of World War II through the GI Bill resulted in significantly higher levels of participation in civic and political associations by recipients when compared with other veterans. Part of the explanation lies in the way in which policy altered civic roles and identities. This occurred through offering people a direct, visible, and highly positive experience of government and public provision, endowing recipients with a greater sense of membership in the polity.¹⁰

Once citizens are positively oriented toward government and other citizens, they are more inclined toward contributing toward the building of social capital. As articulated by Robert Putnam, social capital refers to networks and relationships characterized by trust and cooperation. Putnam argues that communities with higher levels of social

capital are more likely to have citizens satisfied with their government and more effective public services.¹¹ In addition, Lisbeth Schorr in her important book, *Common Purpose*, calls attention to the link between the quality of life in communities and the outcomes of social policy initiatives.¹² Communities with active citizen participation in policy initiatives such as fighting crime or drug abuse are more likely to be effective. More recently, scholars such as Ronald Ferguson and Xavier de Souza Briggs have argued that community development needs to be reconceptualized to emphasize the citizen involvement and the building of cooperative social networks, if community development projects are to be successful.¹³ This viewpoint has also been persuasively argued by policymakers and scholars working in the international development field in developing countries.¹⁴

III. CHARACTERISTICS OF TOOLS AND IMPLICATIONS FOR DEMOCRACY

The choice of policy tools is fundamental to the relationship of government and citizenry, and the rise of third-party government introduces sometimes surprising changes. As the discussion of different dimensions of tools will illustrate, a tool may have positive impacts on one aspect of democracy, perhaps franchise or support building, but it may have negative effects on another, such as equity and democratic authenticity. Further, policy tools must be considered in context. Previously adopted policy tools in a policy area set up expectations that subsequent tool choices may reinforce or change. Moreover, policy tools often occur in combination, and it is the entire political economy set in motion by the cluster of tools that must be taken into account.

Despite these caveats, it is possible to identify certain characteristic relationships between particular classes of tools and some of the key dimensions of democracy identified above. To see this, let us look at the consequences for democracy of the four basic characteristics of tools used throughout this book: *directness*, *visibility*, *automaticity*, and *coerciveness*.

Direct Policy Tools, Equity, and Public Support

Direct policy tools have the advantage of directly linking citizens with their government, and New Deal social programs such as Social Security and veterans programs such as the GI Bill have been highly popular and effective in positively associating those citizens who benefited with government. However, some constituencies have been underserved by such programs, and changes in the political context, including more negative attitudes toward bureaucracy, makes adoption of new programs with large-scale, direct provision of benefits unlikely. Further, the contemporary hostility toward government undermines support for some existing, directly administered programs.

Direct policy tools are the conventional mechanism through which to correct for inequalities. Direct delivery mechanisms are often chosen in redistributive policies that serve poor, insular minorities in such areas as civil rights and poverty. As Lester Salamon observes in the first chapter, redistributive goals often are sacrificed in complex delivery systems. At the same time, direct tools may not build the support, or franchise necessary for democratic policy. As James Q. Wilson has noted, direct government is perceived to have a “bureaucracy problem” characterized by problems of efficiency and responsiveness.¹⁵ While made up of perhaps equal proportions of reality and myth, there can be no question that the case against bureaucracy has shaped public and political perceptions on the proper role of government. Bureaucracies have been

charged with pursuing organizational agendas that maximize budgets and numbers of employees but not necessarily the public interest. Often very narrowly constructed public employee or clientele groups have benefited, while disadvantaged groups were ignored. Centralized bureaucracies can be inflexible when faced with varying local conditions and are slow to innovate. These bureaucracy problems make it very difficult to mobilize citizen support for redistributive public programs. For the most part, the public is not engaged in supporting these programs or holding them accountable.

Public support for programs employing direct policy tools that deliver benefits and bring equity to dependent populations is usually narrow, often limited to government service employees. These programs often do not enjoy widespread political clout due in part to the growing skepticism of government programs in the United States as well as the powerlessness of those they serve. Public hospitals offer a good example. At one time they were the key health-care delivery organizations in many communities, especially in the rural South and large urban areas. However, these hospitals have experienced a wave of closures throughout the country as government curtailed its direct commitment to health care, especially health care for the poor.

Indirect Tools, Participation, and Support

The growth of third-party government raises many concerns pertaining to citizen participation in public policy. Direct government has established norms and conventions on the extent to which citizens can participate in policymaking. For instance, if the local municipal Office of Economic Development is not doing its job, a citizen can complain to his or her city councilor or the mayor. The Office of Economic Development, in turn, is obligated to be responsive to citizens, although in practice public agencies may fall well short of responsiveness.¹⁶ Or, if a citizen is dissatisfied with the municipal parks department, he or she can take his or her grievances to the department. If this person does not receive satisfaction, direct contact with the city council may be pursued, but what happens when the municipal parks department contracts out the operation of the city zoo to the nonprofit Friends of the Zoo. The zoo will now be governed by a private board of directors. Citizens will not have the same standing in relationship to this private nonprofit, greatly complicating the process by which citizens might participate in the governance and oversight of the zoo. Likewise, the city council will not be in the same position to exercise oversight, although to be sure contracts to operate the zoo can be written to encourage or require specific practices and procedures.

In short, indirect policy tools frequently do not have obvious and/or conventional means for citizens to be involved in policy governance and management. Indirect policy tools rely extensively on private, nonprofit, and for-profit organizations as well as quasi-governmental authorities such as public development authorities. Consequently, the governance of public services shifts at least in part to private agencies whose accountability structures and relationship to the citizenry are much different from those of government agencies. This indirectness requires rethinking traditional approaches to citizen involvement and participation in public policy.

At the heart of this problem is the lack of an easily definable public role since indirect policy tools blur the boundaries between the public and private, obscuring the role of the public sector in addressing specific public problems. Consider the consequences of the increased public policy reliance on the relatively indirect policy tools, contracting, and vouchers. In the last twenty-five years, governments have increasingly relied on nongovernmental agencies to provide services, either directly through government contracts and grants or indirectly by providing vouchers to individuals who then use the

voucher to purchase a service such as schooling or housing.¹⁷ The growth of contracting and vouchers has important implications for citizen attitudes toward government. First, it can alter the very character of direct government services. For example, in situations of extensive contracting, government agencies may be consigned to provide services to the most difficult clients, while other services are contracted out to private agencies. This issue is also apparent in the debate about school vouchers, with many educators expressing concern that vouchers will facilitate an exodus of the most able students from public schools, leaving these schools with a disadvantaged student body, further undermining the quality and reputation of the public schools.

Second, contracting and vouchers diverts attention and resources from the public sector; thus, citizens do not necessarily connect the public services they receive from private nonprofit contractors to government, even though they are supported by public funds. The long-term result is to restructure the relationship between citizens and government. Citizens increasingly interact with private entities rather than government even when they are the beneficiaries of government funding. Government's reputation may suffer because it appears that the private sector, rather than government, is successfully addressing public problems.¹⁸

The current welfare-to-work programs offer an instructive example of these problems. Many state and local governments contract out welfare-to-work programs to private nonprofit and for-profit entities. These programs are often held to specific performance targets, but the structure of the contracts limits the ability of agency staff, board members, volunteers, and clients to be involved in the accountability process. Moreover, contracting allows governments to shift the risk of program failure to the private agencies, even as government retains control of performance assessment and funding. Welfare-to-work becomes a private agency problem rather than a governmental responsibility. For example, many nonprofit welfare-to-work programs receive most of their revenue from the government, but most citizens may not realize that these agencies have a significant public role. Further, even if the citizen knows that an agency receives public funds, the agency may not have established procedures to involve this person in the governance of the agency. Indeed, some agencies may make it very difficult for the person to be involved.

The privatization of governance is an even greater concern with the rise of many third-party organizations such as managed care firms, which contract with government to manage entire welfare or child welfare departments. These firms—which subcontract with local service agencies—have little incentive to involve a broad spectrum of the local community in governance, especially since many managed care firms are part of large for-profit chains. Moreover, managed care firms make the relationship between government and the citizenry even more indirect, thus creating even further obstacles for citizens to involve themselves in the policy process.

Contracting, vouchers, and other indirect policy tools do enlist new constituencies in the politics of public services. In some policy areas, political support may actually evolve to be both deep and broad. As contracting for services with private organizations has continued to expand throughout the country, for example, contract agencies—whether for-profit or nonprofit—have become a client of government policy, with a keen stake in government funding and regulatory policy. In response, service providers often organize politically, both individually and collectively. For instance, at the state level, statewide associations exist for the providers of an array of services, including home care, child care, residential child welfare, drug and alcohol treatment, and food banks, to name just a few. These associations advocate for the providers politically, help members address issues of mutual concern, and serve as an entirely new constituency for public funding.¹⁹

However, the new constituencies for contracted services extend beyond just the provider associations; they also include the board members and staff of the individual providers. Contracting enlists these individuals in the support of contracting. Since many service providers also have connections to their communities or are considered to be community assets, contracting also creates support for public funding in local communities.

Similarly, the Low Income Housing Tax Credit (LIHTC) created in the mid-1980s has a legion of supporters on Capitol Hill and at the state and local level. The design of the program requires the participation of private investors, lawyers, consultants, community organizations, and state and local government, to name just a few. Not surprisingly, the program expanded substantially in the last fifteen years, despite the efforts of leading members of Congress to cut it back.²⁰

Vouchers also create new supporters. For example, the Section 8 housing voucher program has become an important income source for landlords and housing developers. Political support for Section 8 remains very high, although congressional appropriations have not nearly satisfied the demand. Based on the experience of housing vouchers, one would also predict that as vouchers for public and private education become more common, private educational institutions will become important constituencies for them.

While the use of indirect policy tools can create networks and mobilize political support, however, this mobilization does not translate easily into accountability over the implementation of the policy tools. A couple of examples illustrate this point. Contracting for child welfare residential services attracts the keen interest and support of private nonprofit and for-profit child welfare agencies. Associations representing these providers lobby for public contract funds and work with state administrators to craft appropriate regulations, but for the most part these contract agencies resist performance measurement and evaluation. Their primary advocacy goals focus on rate increases and favorable regulations rather than program effectiveness. To be sure, many of these agencies provide good services, but it is nonetheless true that child welfare services remain a deeply troubled area of public policy across the country. In most states, private (usually nonprofit) contract agencies are heavily involved in providing these services.

Performance evaluation and judicious analysis often get shunted to the sidelines in these policy debates. The politics of advocacy groups is in part rooted in the formation of these groups, which occurs in response to new government programs. Advocacy groups today need to frame their issue to appeal to the media and their own supporters and fundraising imperatives.²¹ For example, statewide associations of home-care providers who receive government contracts need to focus on obtaining higher rates and favorable regulations for their members. Even though the staff are also interested in broader health-care concerns, including health care for the uninsured, it is difficult for the staff to advocate aggressively for these other issues. Association staff are usually tiny and resources scarce, leaving little time for involvement in nonpriority concerns. The national association of home-care providers have more resources, but the orientation of the association remains the same due to the expectations of the members.

Advocacy also means winning on terms agreeable to the associations and individual organizations. For instance, nonprofit and for-profit low-income housing organizations vie for influence in trying to obtain contracts or favorable regulations. Winning means success as defined by the organization. This is not to imply that these wins may not be good public policy. For example, low-income housing organizations are a very positive force in many disadvantaged communities. However, the politics of low-income hous-

ing means that it is very difficult for policymakers to address issues such as efficiency, responsiveness, and accountability.

Indirect Policy Tools and Fragmentation

Forty years ago, most public services were delivered in large government agencies. Citizens had relatively few choices and within a particular community services in a particular policy area, such as welfare or mental health, tended to be quite centralized. Indirect policy tools have opened up the possibility of providing public services through a much more diverse set of public and private agencies. The diversity of the service system is nothing short of amazing compared with forty years ago. However, the flip-side of diversity is fragmentation. Service agencies now occupy relatively small market niches serving a relatively targeted clientele. Thus, a recipient of assistance under the new federal welfare program may need to go to several different public and private agencies to receive assistance: one agency for the income maintenance benefits; another agency for training; and another agency for child care. The list can be quite long.

Policy fragmentation can make collaboration in support of important policy goals such as improving community health care or reducing drug abuse in a neighborhood quite challenging since it requires the joint action of many different agencies with quite varied missions and organizational goals. It can also make the participation of lay people in local affairs more difficult since many policy arenas are dominated by the many service agencies receiving direct and indirect assistance from government.

What has been lost in the growth of third-party government is the dominant, central public bureaucracy in a particular policy area, such as child welfare or public housing. This has made citizen organizing more difficult. To underscore this point, many unions have tried to organize new service agencies receiving public funds, such as nursing homes and home health agencies. However, the fragmented nature of the industries at the local level greatly complicates union organizing by raising the expense of organizing and dispersing services into many local private nonprofit and for-profit agencies.

Visibility/Invisibility and Democratic Participation

The proliferation of policy tools such as grants-in-aid, contracting for services, vouchers, tax credits, and loan guarantees in the last twenty-five years was fueled by a widespread desire to develop alternatives to the national state. These new tools would be closer to the people, more accessible, and less alienating. In practice it has not worked out as envisioned, in part because of the lack of visibility of many of these policy tools.

The visibility/invisibility of a policy tool is a key factor affecting its operation (Salamon, this volume). Insight into the specific impact of the visibility/invisibility of a policy tool on democracy and citizen participation is suggested by the work of Theodore J. Lowi²² and James Q. Wilson.²³ Although their work differs in important ways, both scholars argue that the perception of costs and benefits faced by the citizenry is the critical determinant of which citizens and groups organize around a particular policy issue. For instance, Wilson uses the concept of distributed and concentrated costs and benefits. In the case of domestic sugar policy, the cost of high sugar prices is widely distributed and largely hidden in the overall price of sugar; consumers do not perceive that our domestic sugar policies are excessively costly or onerous. The result is a lack of protest or even interest in sugar policy on the part of most citizens. However, sugar producers reap enormous benefits from America's sugar policies so they are very involved in this issue, which remains largely debated outside of public view (since few

citizens really care). In the same tradition, Wilensky suggested that America's smaller welfare state relative to Europe's was due to the heavy reliance of America on highly visible taxes such as the property tax rather than less visible taxes such as value added taxes characteristic of Europe. In America, people resist or protest higher taxes to support the welfare state because the specific taxes used are much more visible.²⁴

Importantly, the issue of *perceived* costs and benefits also exists for policy tools. As noted, tax credits for low-income housing are a central means of financing low-income housing. These credits are quite complicated in terms of their implementation so most citizens are unaware of how they are used. However, these credits are enormously valuable to various nonprofit and for-profit housing developers, private investors, and third-party intermediaries. As a result, the politics of tax credits is similar to sugar politics: well-mobilized groups and providers with a direct material stake in the issue and a relatively disinterested public. Likewise, the policy debate on tax-exempt bonds has been almost completely dominated by state and local government finance agencies and large nonprofit institutions with a direct stake in the expansion of tax-exempt bond financing.

While the politics of particular policy tools may vary, as a general rule, citizens have tended to be relatively uninvolved in the politics of low-visibility policy tools such as tax-exempt bonds and tax credits. Other more highly visible policy tools such as vouchers tend to have more distributed costs and benefits. Consequently, the politics of vouchers have not been dominated by producer groups, but instead tend to be fought out at a broader ideological level among parties and various interest groups.

One other lesson to be drawn from the work of Wilson and Lowi is that the perceived role of government in connection with a policy tool may be very important in determining a citizen's broader view of government. The LIHTC is arguably an innovative approach to financing low-income housing that has been relatively free from major scandals and is administered by the Internal Revenue Service at the federal level and at the state level by state Housing Finance Commissions or Departments. However, this solid accomplishment of government may go unrecognized by the average citizen since the government is not directly and visibly building housing. Thus, a citizen's overall attitude toward government and willingness to be engaged in political issues may be affected in the long run. The lack of visibility of policy tools can exacerbate the problem of information asymmetry. Many government programs—whether direct or indirect—may not offer citizens the opportunity to be fully informed about the program. Thus, citizens may feel alienated and lack incentive to become engaged in the policymaking process on these programs.

Indirect policy tools such as tax credits, contracting with nonprofit and for-profit agencies, vouchers, and tax-exempt bonds can be difficult for many lay people to understand, even people who have some familiarity with a particular policy tool or area. Further, these indirect tools tend to hide the government's role and often require extra effort for citizens to obtain adequate information. Even when citizens realize that government is involved in a tax credit or contracting program, citizens may be unable to obtain the necessary information to be informed. This can be very discouraging and lead to disengagement and apathy on the part of citizens.

Two examples illustrate the above point. Typically, community development corporations (CDCs) receive tax credits to build low-income housing, but tax credit financing is very complicated, with many players in the nonprofit, public, and for-profit sectors. Even board members of CDCs find it very challenging to stay well informed on this issue. The complexity of tax credit financing creates obstacles to the goal of engaging local community members in the work of CDCs; instead, the boards of CDCs are often dominated by people from the housing and finance sectors.²⁵

The other example is government contracting with a for-profit job training organization. Some community members may be upset that this agency is not providing quality service to the community. However, the agency is not obligated to disclose performance information to the community or even give community members standing in terms of access to their staff and board. Thus, the community will lack the necessary information to be in a position to challenge the agency on its programs.

The operation of many policy tools is so complex that, except for insiders, the role of government is masked. Citizens are often at a disadvantage in dealing with government programs because they lack sufficient information to judge the performance of these programs. Even when evaluations are done, moreover, they are often not disseminated broadly to local citizen and community groups. Thus, citizens lack the necessary information to critically evaluate programs that can profoundly affect their lives. This in turn can depress citizen involvement in the monitoring and oversight of these contract service agencies.

This information asymmetry problem has, in fact, spurred broad efforts to provide more information to citizens on the performance of public and private service organizations, including formal organizational report cards providing detailed information and outcome data on practices and procedures of key organizations such as hospitals.²⁶ And many cities, such as Portland, Oregon, have actively engaged citizens in evaluating the quality of municipal services.

Whether visibility and mobilization occur among the broad public or within only narrow constituencies has enormous import for democracy. Citizenship involves responsibility and commitment to the public welfare rather than simply the receipt of benefits and the assertion of rights. Democracy is not well served when governance is merely a contest among highly organized separate interests.²⁷ Hugh Heclo argues that we now have “hyperdemocracy” with almost too many groups and organizations involved in public policy. Every issue is highly politicized, with a variety of contending groups. Part of the reason for this widespread mobilization is changes in the media and technology that facilitate the engagement of new groups, including associations with scant resources, in the policy process. However, greater political mobilization also occurs in the context of an adversarial debate between advocacy groups where the public is disengaged. The contentiousness of these debates can ultimately produce citizen alienation and cynicism.²⁸

Heclo’s observations are directly relevant to our understanding of the linkage between policy tools and democracy. The expansion and proliferation of different policy tools encourages the formation of advocacy groups for these tools or programs. They are very mobilized in support of these programs; yet, the citizenry is largely disengaged. Further, these advocacy groups are interested in more public support for their programs; they are much less interested in programmatic accountability or the accountability of their groups to elected officials or the citizenry.

However, it is very important to emphasize that the visibility of a policy tool is related to the *perception* of its costs and benefits. Consequently, to the extent that this perception changes citizen participation and the overall constellation of groups involved in an issue will also change. The LIHTC was initially a “sleeper” of a program, but as the potential benefits became more apparent, many more groups and individuals became involved. Welfare reform—a program implemented largely through contracting with private nonprofit and for-profit agencies—has attracted a host of groups and individuals as advocates for various sides of the issue, in part because various interests were able to portray the issue as a broad-based one affecting welfare recipients, service providers, and government agencies.

Automaticity

The allure of some indirect policy tools is their apparent automaticity: low-income housing tax credits depend on the private investment market; contracting is based at least in part on the belief in the merits of market competition; and vouchers reflect a faith in consumer choice in the marketplace rather than decisions by government bureaucracies. Nongovernmental incentive systems and concerns replace those of government. Whether such incentive systems serve the interests of widening the franchise and scope of democracy and deepening its authenticity by providing public forums for deliberation and adequate information is incidental to the efficiency gains claimed from private or market processes. Moreover, automatic policy tools often are far less automatic in practice than theory would suggest, and the mechanisms necessary for their administration may have positive or negative impacts on democracy, depending on the context.

In order for contracting to work, for example, government needs to create an administrative apparatus to administer the funds and criteria to allocate them in a fair, equitable fashion. After the disbursement of funds, government also needs to create a monitoring system in order to ensure proper accountability. The overall effect is to create numerous opportunities for groups and organizations—although perhaps still not the lay public—to influence the contracting process.

As a generalization, though, indirect policy tools with characteristics of automaticity, however imperfect, do tend to make it very difficult for lay people to be engaged in the policy process since the existing systems they rely on, such as the private banking system or nonprofit service providers, are not subject to the same types of accountability requirements as direct government. To be sure, government can impose regulations on these private entities to enhance accountability, but it is often a very complicated process. For instance, the Community Reinvestment Act (CRA) requires banks to lend in disadvantaged neighborhoods. Over time, advocates for poor communities have used the CRA as an opportunity to intervene in the process of bank oversight, including bank applications for expansion and renewal. The process of bank certification has become less automatic, giving advocates for poor communities an opportunity to influence bank behavior. Indeed, the CRA has proved to be a surprisingly effective tool in pushing banks to do more lending in disadvantaged communities.

Coerciveness and Citizen Identity

As Lester Salamon observes in the introductory chapter, coercive policy tools are problematic for democracy in that the greater coerciveness a policy tool entails, the greater the infringement on individual liberty. Yet, authentic democracy involves willingness to sacrifice for the collective welfare as well as the assertion of rights. Democracy is reinforced when policy tools, such as social regulation, include clear prohibitions on actions, such as the release of highly toxic substances affecting public health, which are imposed equally on all polluters.²⁹

Relatively coercive regulatory tools, according to Lowi,³⁰ have the highest probability of being democratic because they elicit general debate among contending coalitions of interests in legislative bodies as a whole. Broad principles are debated rather than particular favors to individual constituencies, as is the case in distributive policies. Moreover, the debate about regulatory tools engenders greater issue salience and broader public participation. However, coercion exercised against powerful interests can be politically very unpopular and introduce problems of insufficient public support.

The tendency is for legislatures to escape blame by passing general rules, while leaving detailed decisions, such as specifying targets, to regulatory agencies. Such general legislation leaves substantial discretion in the hands of regulatory agencies. Whether the implementation of regulatory tools is open, democratic, and participatory is problematic. An old and still-relevant literature suggests that regulatory agencies are often captured by regulated interests, especially at certain points in the life cycle of a regulatory agency.³¹ At a minimum, regulatory agencies are dependent on the regulated for important information and general cooperation. Such relationships do not mean that regulation is responsive only to regulated interests. The institutional context is quite important here.³² Regulatory tools wielded by strong, committed agencies, backed by supportive constituencies and overseen by legislative or other elected official watchdogs can succeed through fair and open rule-making processes. Environmental regulations at the state and federal levels provide convincing examples of effective and responsive regulation.³³

Even in areas where relatively coercive regulatory tools are effective, regulation faces increasing criticism for being “command and control,” which is imposing inflexible standards and mechanisms for compliance, insensitive to differences in local conditions or possible efficiencies that might be captured if the regulated were given more latitude. Many policy analysts, particularly economists, argue that greater use of market incentives (less coercion) requires less administration (greater automaticity) and allows and encourages regulated industries to discover and choose less costly ways to reduce pollution. Market incentives have been added onto and substituted for regulations in a number of areas. The 1990 Clean Air Act, for example, authorized emissions trading to reduce acid rain. At the local level, dozens of specific, relatively coercive regulations have been replaced in areas such as the Los Angeles basin with a less coercive market in air pollution credits.

Without question, regulated industries prefer economic incentives over regulations, and such incentives may be as effective in reducing air pollution, although this latter conclusion is less certain. However, pollution trading credits raise equity concerns. While uniform standards require reductions everywhere, trading credits may concentrate pollution in poor or minority neighborhoods within regional control areas. Moreover, less coercive market incentives may inadvertently send the wrong messages and lessons about values, citizenship, and democracy. Critics observe that relatively voluntary market incentives fail to stigmatize pollution and thus undercut the moral basis for environmental action. Using economic incentives may reinforce self-interested behavior that is damaging to the conception of citizenship as involving other-regarding norms such as obligation, duty, and sacrifice.³⁴ When policy tools aim to change target groups’ behavior by inviting a market calculus, the action becomes individual, and people are encouraged to think like consumers. Such a stance is at odds with what Steven Kelman calls “public spirit”—the disposition to take serious account of the good of others and not just oneself in public life.³⁵

Quite different kinds of problems arise when coercive tools are directed toward groups that are uninvolved and marginal in politics. One of the puzzles in the political participation literature is why some voters, who would seem to have an enormous stake in government programs because they are regularly targeted by various policies, are passive, quiescent, and often alienated from government.³⁶ Along with a paucity of resources, the messages some citizens receive in their experience with the tools chosen to deliver government programs to them explains their failure to participate. Some people experience government mainly through the enforcement of negative sanctions. The messages received by some groups related to democracy is that their plight is their

own fault and that they deserve only punishment. If government pays any attention to such groups, it is likely to be unpleasant, and it is best to stay as far away from government as possible.

While there may be strong policy reasons for employing coercive tools to discourage certain practices, including drug use, the impact on how large numbers of certain categories of people perceive the role of government is dramatic. Consider that as many as a third of the black teenage population seems likely to spend at least some time in jail. Mandatory sentencing of drug offenders means that male African-Americans are especially likely to experience extreme coercion on the part of government. While drug use is about the same for whites and blacks, arrest rates are several times higher for blacks. Moreover, penalties are far stiffer for use of the drug of choice among blacks than it is for other drugs more favored by the dominant culture.³⁷ Of course, incarceration blocks direct political participation, communication from prisons is highly restricted, and even after release from jail the opportunity for political participation is low. Parole policies that prevent fraternization among ex-convicts discourage whatever political mobilization might take place to change conditions. For deviant populations, the experience with coercive tools provides every reason to avoid rather than engage in politics.³⁸

Other groups, more positively constructed as dependents, are more likely to receive benefits, but means tests and other medium coercive eligibility restrictions adopted by many state welfare departments send messages that encourage passivity, resignation, and noninvolvement to citizen recipients.³⁹ One study of some Phoenix welfare mothers, whose comments in focus groups were recorded, illustrates messages sent and how orientations toward government were affected.⁴⁰ Slow and unreliable service, and seemingly capricious decisions, led welfare clients to believe that agency officials regarded them as unimportant, dishonest, and unworthy. For example, one welfare mother said:

They're telling me 'you have 30 to 45 days to get your case done.' I told her I have rent to pay. I need my necessities. They can't understand that. They shrug their shoulders and say, 'well you still have 30 to 45 days, and they have other clients.' I understand that, but I complied and I did my part like you wanted me to. I was pre-approved. All you need to do ... They're the ones who have the computer. You just put it in and send it. But they want to prolong it." Another woman added: "They act like it's coming out of their pocket. They act like when they get their check, they are going to each of their clients' houses and say, 'ok, here's your fifty, here's your fifty,' And they ain't giving me a dime.

These comments echo many heard by Joe Soss, who interviewed welfare clients in a mid-sized Midwestern city.⁴¹ He found that only 8 percent of recipients believe that government listens to people like them. Such attitudes substantially affect willingness of target groups to participate in politics. Those who would seem to have the most to gain from participation in the design of the welfare system are least likely to become engaged. Moreover, the different messages received from tools by different racial and gender groups fuels the cleavages within American society and lowers the possibility of the citizens' empathy, which is crucial to authentic democracy.

IV. REDESIGNING POLICY TOOLS TO SERVE DEMOCRACY AND ENGAGE PARTICIPATION

A larger lesson of this examination of the implications of different policy tools for democracy is that the devil is in the details. Especially as delivery systems become less direct and more complex, increasing opportunities for ancillary positive and negative

impacts on democratic governance exist. There are no certain strategies for choosing tools that promote democracy, since so much depends on particular contexts, and so little previous analysis has been done on the impact of policy design and choice of tools on citizenship and democracy.

A second lesson to be drawn from our discussion is that policy analysis and public management in the future must go beyond their traditional concerns with efficiency and effectiveness to attend much more carefully to the consequences of policy on citizenship and the formation of civic capital. To be sure, attempts to democratize public management and public policy have a long history. However, recent changes in public management and policy point the way to promising strategies for policy tool design and selection that are sensitive to the civic impact of policy tools.

Greater Openness and Transparency

Changes have been made to make administrative procedures more open, accessible, equitable, and democratic. Advance notice must be given of proposed rules changes, and the public must be given the opportunity to comment. Advisory committees with public members have been established to guide regulators and government administrators. The Freedom of Information Act (FOI) has been used by a number of citizen groups and individuals to force agencies to release information that otherwise would have been kept confidential. FOI requests have over time made government more transparent and more willing to make documents public. The National Environmental Policy Act of 1970 is a particularly notable reform in that it requires affected agencies to prepare documents in which they consider all reasonable alternatives to their proposed actions along with associated environmental impacts. Draft and final Environmental Impact Statement (EIS) are circulated to involved federal and state agencies and to the public for comment. As a result of this EIS process, the number of public meetings held by federal agencies prior to taking actions has expanded exponentially in recent decades.

Such administrative reforms have certainly made federal bureaucracies more responsive and accountable, although it is important not to exaggerate the extent to which they have created open, equitable forums. Administrative decisionmaking continues to be dominated by people with expertise. Moreover, public meetings often are poorly attended and dominated by a few vocal interests, and new procedures sometimes encourage endless disputation and procedural delays that benefit one or more parties. Disappointed losers often bring tactical suits in federal court on the basis of procedural irregularities. On balance, however, administrative reforms have moved federal bureaucracies in the right direction.

The Emergency Planning and Community Right-to-Know Act of 1986 introduced an interesting model for lowering the transaction costs of obtaining information critical to citizen education, mobilization, and participation. Under the legislation, industries must make public the amounts and location of releases of a large number of potentially damaging toxic substances. This act does have flaws, including its bias toward participants with high levels of expertise and the imperfect corporate compliance with it. Nevertheless, right-to-know has spurred citizen protests and community action. In this case, government is providing the public with critical information and fostering the creation of a sense of community with common stakes among all residents affected by exposure to dangerous substances.

Another positive development is the shift by many federal agencies from the role of direct manager to the role of umpire of complex intergovernmental and public/private relationships, convening public meetings among affected partners to promote discourse in formulating and implementing shared goals. Grants are now sometimes designed so that local communities have a clear role in setting goals and allocating resources along with a clear obligation to deliberate. John Hird recently proposed such conditions on grants to clean up toxic waste sites.⁴² In particular, he recommended the creation of a statewide citizens' committee to allocate funds. This committee would include ordinary citizens, some from communities with hazardous waste sites, as well as those concerned with other issues such as air and water pollution. This inclusive membership would make it much more likely that those pushing for expensive complete remediation at a very high cost would be challenged by others who would choose a lower level of clean up and spread the rest of the resources around other worthy environmental purposes. The result would be to reinforce the practices of empathy and discourse while encouraging more efficient and equitable allocation of money than through Superfund, which has been highly criticized.

Structurally, government has also moved to create various hybrid types of organizations—for example, community coalitions, public-private partnerships, and task forces—that involve the citizenry more directly in the assessment of community needs and the formulation of a response strategy. Empowerment zones, community coalitions to prevent substance abuse, and citywide initiatives such as the Atlanta Project to address the problems of the disadvantaged in Atlanta are just a few of the many examples of these new structural innovations that involve citizens in a new fashion in public service delivery and accountability.

Of course, some of these initiatives have not achieved their initial goals and aims. However, a record of experience now exists for many of these new types of community-based initiatives to allow for more specific and targeted advice for policymakers. We are now in a much better position to know what works and how to involve citizens in the decisionmaking process regarding the implementation of policy tools such as contracting and tax credits.

On other fronts, regulatory programs such as the Endangered Species Act can be supplemented with other environmental mediation programs that anticipate problems and put cooperative mechanisms in place to avoid command/control regulations. Ecosystem management, espoused by former Secretary Bruce Babbitt in the Department of Interior, envisions a holistic approach in which the needs of both people and wildlife are taken into account in a process that begins before species are listed. All the major stakeholders, including developers and environmentalists, are brought together to plan for habitat restoration and maintenance, and the government acts as the monitor of the binding agreements arrived at through mediated negotiations. Such experiences build communities at the same time as they avoid divisive conflict. Cortner and Moote write of the Trout Creek case where the issue was 250,000 acres of high desert grasslands, home to an endangered species of trout, and used for grazing by local ranchers in Oregon.⁴³ Environmentalists wanted the fish protected and threatened to sue the Bureau of Land Management. The Trout Creek Mountain Working Group, made up of a diverse group of neighbors and attended by agency officials, was able to agree to a three-year voluntary program of rest from grazing in the area. Throughout the rest period, the group met regularly and was able to settle on a pattern of grazing that protected the fish. The painstaking debate on ecological improvements had the side effect of greatly strengthening community ties.

Another example is illustrated by tax credits, often criticized as generally serving narrow interests and teaching the wrong lessons. Under carefully designed legislation, tax credits might be a tool to encourage civic engagement. For instance, the awarding of the LIHTC might be made conditional on the successful demonstration of community need reached through a deliberative process of community input.

Community Service

Guaranteed loan programs can also be designed to teach civic responsibility and empathy and to encourage civic engagement. Federally guaranteed student loans as presently operated encourage the accumulation of debt among younger citizens. In order to pay off student loans, young people often feel they must get lucrative jobs, even though the positions they choose lack public service opportunities. Further, because students pay back their loans to banks with interest, they are discouraged from feeling any particular obligation to society for their education. Experience suggests that altruism and public spiritedness are likely to become a habit in people early or not at all. Many nations outside the United States require several years of public service of young citizens, which may or may not be connected with publicly supporting their education. Service would be a much better way to repay, or pay in advance, for college loans. Service learning can also be built into school curricula through conditions for federal and state educational grants. A critical component of a liberal education needs to be the practice of citizenship through experiences with, and gaining empathy for, those who live in quite different social and economic circumstances than the typical college student.

V. TOOL DESIGN AS A DEVELOPMENTAL ACTIVITY

After reviewing the implementation of federal social programs of the 1960s and 1970s, Jeffrey Pressman argued that federal policy in urban areas needed to be conceptualized as a developmental strategy. He even suggested that federal urban aid be made conditional on certain institutional changes promoting greater democracy at the local level.⁴⁴

Likewise, we believe that tool design should be attuned to its democratic implications. While devolution, decentralization, contracting, and other third-party, indirect tools of government have provided citizens with new possibilities to exercise choice and voice, they also create new problems and unanticipated consequences for democracy. The role of government is changing and must change further as direct service delivery gives way to cooperative management involving voluntary associations and public/private partnerships. Policy tools need to be redesigned to better serve democratic values. Government needs to be able to strategically intervene in the complex political economies surrounding policy delivery systems to encourage better access to information, to correct for power imbalances among stakeholders, and to create arenas and spheres for public discourse. Government must act as a conveyer of public dialogue, and protector of access, fairness, and balance in the implementation of third-party policy tools.

Public policy analysis and public management must emphasize different kinds of studies and training. Civic governance, democracy, participation, and citizenship must take their place along with efficiency, effectiveness, efficacy, and legitimacy as issues

demanding attention. We need to know much more than we presently do about how different policy tools in various combinations affect civic capital in disparate contexts. Policy tools must be identified and/or invented that not only achieve program goals effectively and efficiently but also facilitate the growth of civic capital and the practice of citizenship.

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