Decision-Making
Rationality and Risk

In the early days of public administration, most early students focused on the structure of public organizations and how best to design them so that they would work as efficiently as possible. Their work, in fact, shapes the ideas in Chapter 4 of this book.

In 1945, however, Herbert A. Simon made a very different argument: “The task of ‘deciding’ pervades the entire administrative organization quite as much as does the task of ‘doing’—indeed, it is integrally tied up with the latter.” A general theory of organization that will ensure correct decision-making must include principles of organization that will include correct decision-making, just as it must include principles that will ensure effective action. It was a revolutionary idea and, ever since, it has transformed the way we think about public administration. Since Simon, public administration has become about both the deciding and the doing—and there’s a powerful argument that the two are very closely linked. It is impossible to understand administration without understanding decision-making.

But decision-making depends on the information that shapes these decisions, and there is growing controversy around information in government, especially in the realm of “fake news.” There’s universal agreement that good decisions depend on good information—and that better information would produce better decisions. If administration builds on decisions, if decisions rely on information, but if more information suffers under the charge that it’s “fake,” how can we trust the information on which those decisions depend?

The Challenge of “Fake News”

Decision-making depends vitally on information—what facts decision-makers use in making decisions—and on values—how they weigh those facts. As Simon pointed out, doing is impossible without deciding. But we can’t decide without establishing the foundations on which decisions rest.

President Donald Trump built a large part of his brand on criticizing reports with which he disagreed as “fake news.” It was an especially clever term of art. He flipped the notion of “news,” which suggests trustworthy information, carefully reported, as “fake,” which suggests the news might not be so trustworthy after all.

CHAPTER OBJECTIVES

• Understand the role of information and values in decision-making, including the rising power of “fake news” in government decisions

• Explore rationality as the foundation of decision-making, in theory and practice

• Examine bargaining and other alternatives to rationality in decision-making

• Probe the limits on decision-making and where existing theories fall short
For a decision-maker, it is often difficult to do battle on the facts surrounding a problem. But if a decision-maker can raise questions about whether those facts can be trusted to begin with, it creates a very different conversation: Why debate the facts if the facts themselves come from suspect sources? And if the facts are suspect, wouldn’t it be far better to rely on information that comes from sources a decision-maker—and the decision-maker’s supporters—trust? Of course, complicated problems don’t usually allow for such simple argument, and all public policy problems that matter are complicated. But the “fake news” idea has become important in shaping the public debate about how best to make decisions.

It is important in three respects. First, although Trump popularized the “fake news” label, the idea is far broader and deeper. A Google search on the label produced more than 100 million hits, ranging from fact-checking by organizations like PolitiFact, which has been in business since 2007, to library guides that help users dig to the bottom of complicated stories. “Fake news” stretches far past Trump, and it is sure to long outlast him.

Second, “fake news” isn’t an American phenomenon. The European Commission charged the Hungarian government in 2019 with making false claims about the role of the European Union. The British Government created a “Rapid Response Unit” to counter stories that were false. And Russian President Vladimir Putin signed a law that made it a crime to spread “fake news.” It outlawed sharing information that “exhibits blatant disrespect for the society, government, official government symbols, constitution or governmental bodies of Russia.”

Third, “fake news” isn’t new. Public officials have always sought to create a version of the facts that support their interpretation of events. Adolf Hitler had his own propaganda minister, Joseph Goebbels, and filmmaker Leni Riefenstahl was a master at crafting images that supported Hitler’s perspective. In the United States, filmmakers produced scores of films to promote the country’s point of view during the World War II. So did filmmakers in Australia, Canada, Great Britain, and the Soviet Union. In fact, governmental efforts in this area go back as long as there have been governments. The Roman leader Octavius, later known as Caesar Augustus, spread tales about how his rival, Marcus Antonius, had been taken in by the wealth of Egypt and the wiles of its ruler, Cleopatra. That helped him wage his campaign to eliminate his rival—and it led to the 1963 classic movie Cleopatra, one of the greatest sword-and-sandals movies or one of the biggest bombs of all time, depending on one’s perspective. All leaders work hard to cultivate a vision of the facts to advance their political aims.

What Should We Believe?

The long-standing debates around “fake news,” however, raise truly fundamental issues. Elected officials, of course, want to make decisions that mirror their values and remain true to the positions on which they ran. Analysts who support them want to recommend decisions based on the best analyses and truest facts. Those goals often come into sharp conflict. That’s because of an inescapable conflict: No one believes everything, some people trust nothing, and no one gets everything right all the time. The last point is a painful but inescapable point for even the top news outlets. The Washington Post, for example, has a special email address (corrections@washpost.com) where readers can submit corrections. The New York Times has a web page devoted to listing each day’s corrections (www.nytimes.com/section/corrections). And the Poynter Institute, a respected journalism school, publishes an annual list of the top corrections issued each year by media outlets. Among them are the following:
• From the Brazilian news magazine *Veja*: “The candidate likes to spend his free time reading Tolstoy, and not watching Toy Story, as originally reported.”

• From the British *Morning Star*, about a saxophone player: “In yesterday’s paper in Chris Searle’s jazz albums column, we incorrectly referred to Don Rendell as a ‘terrorist’ when it clearly should have been ‘tenorist.’ We apologise for any offence.”

• From the *Wall Street Journal*: “An earlier version of this article incorrectly stated that Benjamin Netanyahu said Moses brought water from Iraq. He said the water was brought from a rock,” as sharp-eyed readers of the Book of Exodus know.

• And also from the *Wall Street Journal*: “An earlier version of his article misspelled Britney Spears’s name as Briney Spear in a caption.”

No one walking the planet gets everything right at every chance, so that makes it harder to know who is right in any circumstance. The chance that any fact might be wrong at any moment makes it possible to question every fact at every moment. And that in turn feeds the flames for “fake news.”

Adding to that are five inescapable traps in making public decisions. First, there is the suspicion that much analysis comes from hired guns, who receive their funding from outlets that know what conclusions they want to advance. As Stephen M. Walt argued in *Foreign Policy*, “Let’s start by admitting that some ‘policy analysis’ is really just hack work by hired guns and intended solely to advance some narrow political cause. There’s no commitment to truth or integrity in such work; it’s indistinguishable from the basest political propaganda.” He continued, “When you see somebody change their views like a weather vane, always pointing in the direction of whoever is paying the bills, there’s good reason to question their objectivity and to be exceedingly wary of their recommendations.” Much of that analysis, of course, is never labeled as “work for hire,” so it’s impossible to tell how much of it represents straight analysis—and how much emerged from efforts to steer debate in a particular direction.

Second, there is much serious work in major think tanks, including the Center for American Progress, the Brookings Institution, the American Enterprise Institute, the Heritage Foundation, and the Cato Institute, and much of that work comes with the presumption that it advances a particular ideology. Major think tanks proudly proclaim the high quality and balanced nature of their work and, indeed, much of their work is unquestionably solid. Eagle-eyed Washington watchers, however, know that the Center for American Progress tends to advance liberal causes. Brookings studies often are on the left of center, while American Enterprise studies promote right-of-center perspective. Heritage stakes out the right, while Cato tends to promote libertarian points of view. Genuinely nonpartisan groups do exist—think tanks like the Kaiser Family Foundation, the Pew Charitable Trusts, and the Woodrow Wilson Center—but often only the insiders know which groups stand where. That makes it even harder to distill underlying facts from ideological leanings.

Third, all facts are fuzzy. The only way we can be sure of what we know is to test a proposition repeatedly. Like Newton’s ideas about gravity and Einstein’s theories of relativity, being sure about what we know inevitably takes a very long time, through repeated experiments that lead to the same conclusion. Policymakers can never wait that long. In fact, it’s often the case that the more urgent the problem, the sooner policymakers will need to
act—and the more likely they must act before they know all they wish they could know. In 1979, the radioactive core in a nuclear power plant, sitting in the Susquehanna River near Harrisburg, Pennsylvania, suffered a serious accident. Governor Richard Thornburgh and federal officials from the Nuclear Regulatory Commission had to decide whether the risks to the nearby population were so great that they should order an evacuation—and to tell the residents that, if they did so, they might never be able to return to their homes again. The scientific analysis concluded that the accident was serious but that radioactivity was unlikely to escape, so the government officials never gave the evacuation order. They turned out to be right, but lucky. The nuclear core partially melted down, in the most serious accident in the history of the nation’s nuclear power industry. In such big issues, as well as smaller ones like whether to close schools when a big storm threatens, government officials never know all they wish they knew. The closer they sit to the bleeding edge of a policy question, the fuzzier the facts on which they must rely.

Fourth, it follows that the easiest way to solve problems is to look in the rearview mirror. The easiest way for analysts to be sure is to do their analyses on the bases of large datasets accumulated over a long period of time. However, that sometimes means that they make recommendations based on circumstances five or ten years in the past. Sometimes, the basic facts are unlikely to change, like whether “scared straight” programs that expose teenagers to life behind bars to discourage them from committing more serious offenses actually work. (The evidence: They don’t.) But sometimes circumstances can change dramatically. Does increasing the minimum wage hurt employment? A famous paper by David Card and Alan B. Krueger found that when New Jersey increased its minimum wage, employment at minimum-wage jobs in fast-food restaurants increased, compared with restaurants in Pennsylvania, where the minimum wage did not increase. That finding drove a generation of policy debate. The puzzle, however: The study was published in 1993, based on data from the previous year. Are the basic characteristics of labor markets the same? Or have passing years changed the markets in ways that the earlier research might not hold up? There has been, of course, an enormous stack of research papers since, but they all raise the same question: Can policymakers confidently make decisions about the future based on research based in the past? As was so often the case, New York Yankees great Yogi Berra had it right when he said, “It’s tough to make predictions, especially about the future.”

Fifth, the easiest way to attack these issues is to solve the wrong problem, but that often proves of little help to policymakers. It can be tempting to attack an issue by looking carefully about what we already know and using that knowledge to project the way forward. That can work well when the rearview mirror problem doesn’t become paramount, when the questions remain the same, and when the data stay stable. When one or all of these circumstances change, however, the results can be dangerous. On the morning of September 11, 2001, 19 individuals passed all the country’s airport security checks, designed to detect people carrying guns aboard airplanes intent on hijacking them to foreign airports. These individuals, however, didn’t want to hijack the planes—they wanted to seize them and use them as terrorist weapons. They took control of the planes with box cutters, not guns, and even if the box cutters had been detected by the security screeners, the screeners would have waved them through, since small blades were legal at the time. The airport security process had become very good at preventing hijackings—but on September 11, that turned out to be the wrong problem. Smart decision-making requires a keen sense of understanding how problems evolve—and how to keep up with them.
The Power and Pitfalls of Artificial Intelligence

These challenges stretch far past the “fake news” battle. They cut, in fact, to the very essence of decision-making. Just like everything that matters about public administration, decision-making is about bringing political values to life. That means that decision-making is always, inevitably enmeshed in politics. Analysts sometimes try to replace political forces with their own work, to advance what they view as more rational and more efficient government strategies. Elected officials are certainly not opposed to that. In fact, they often reach out, eagerly and enthusiastically, for strategies that can help them negotiate the often-tumultuous political world they inhabit. But analysis has meaning for them only to the degree it has political value.

Nothing makes this point better than the water problems that emerged in Flint, Michigan. When Governor Rich Snyder took office in 2010, Republican insiders saw him as a rising star in the party and openly floated his name as a possible vice presidential running mate in 2012 for Republican nominee Mitt Romney. The Twitter hashtag for his gubernatorial campaign was #onetouchnerd. But in 2016, however, critics suggested his hashtag ought instead to be #onedonelude. Because of Flint’s enormous financial problems, the state took over administrative oversight of the city, and to save money state officials switched the city’s water supply from the city of Detroit to the local Flint River—a savings of millions of dollars, the state projected. Almost immediately, however, Flint residents began complaining that their water smelled, tasted, and looked funny. Even worse, nine people died from Legionnaires’ disease, which investigators suspected was connected to the water switch. “We were an experiment in their philosophy of government,” explained State Senate Minority Leader Jim Ananich, a Democrat and tough critic of Governor Snyder. “But unfortunately, it failed.”

The water from the Flint River, as it turned out, was far more corrosive than the water the city had been getting from Detroit. The Flint water ate away at the pipes carrying it, and that led to higher levels of lead and coliform bacteria. The state could have added anticorrosion chemicals to the water, but officials concluded that would have been an unnecessary expense. In the end, the plan to save taxpayers money ended up creating a public health disaster. In an early 2016 interview, a reporter speaking to Snyder noted that critics had “called this [his] Katrina,” referring to the failed governmental response to the 2005 monster hurricane that devastated New Orleans and much of the Gulf Coast. He told a reporter, “It’s a disaster.”

Analysts, including a team from Virginia Tech, said that the disaster was completely preventable. Politicians blamed each other. State officials blamed local managers, and all of them complained about the feds. A Republican, Snyder criticized the Democrats in President Barack Obama’s Environmental Protection Agency. On the front lines, left with undrinkable water and poisoned children, the residents of Flint, 57 percent of whom were black, wondered why their government had failed them.

But amid the political battle, one thing was clear: The switch in the water supply had created a lead poisoning crisis, and the only way to solve it was to replace the lead pipes with copper ones. That, however, was a large, time-consuming, and expensive job. Complicating the problem was that not all the homes in Flint had lead pipes—but the city records weren’t accurate enough to tell engineers where the lead pipes were. It would waste money, take extra time, and put more citizens at risk for a longer time if the city tried to replace all of the pipes. The puzzle: how best to find and replace the pipes that most needed replacement?

With support from Google, a team of computer scientists attacked the problem. They developed an artificial intelligence model, based on machine learning, to predict where the lead pipes
were most likely to be. The model proved remarkably effective. In its first months, inspectors investigated 8,833 homes identified by the AI model, and that led to the replacement of 6,228 pipes: the model’s accuracy was 70.5 percent.

In 2018, however, the “hit rate” of the pipe identification process dramatically fell, to just 15 percent. Under pressure from residents who wondered why the city wasn’t digging up their pipes, Mayor Karen Weaver put aside the AI model. The model predicted (correctly) that the problem pipes were not evenly distributed, but instead of focusing on where the model suggested the lead pipes were, the city’s contractor switched to digging up the pipes at every house on every block on which it was working. The courts had ordered the city to find and replace the lead pipes as quickly as possible, but the shift slowed the process dramatically. Pastor Allen C. Overton, part of a city-wide coalition promoting a rapid attack on the city’s problem, said, “It’s the number of lead pipes removed that matters, not the number of holes dug.” But the political pressure from residents who watched their neighbors’ pipes being dug up but not their own pushed aside the analysis from the computer scientists. As Weaver explained, “When we started this, people would say, ‘You did my neighbor’s house and you didn’t do mine.’” In the tug between politics and analysis, politics won—as it almost always does.

That isn’t so much a note of criticism or cynicism. It is, rather, a bit of reality. It is not the job of analysts or administrators to determine policy but to support the work of elected officials and to carry their decisions into action (as we will see in more detail in the next chapter). Moreover, there is a rich debate about what truly makes for the most rational and effective decisions in the world of democracy and bureaucracy. This debate hinges on the role of information and values.

**Information and Values**

Decision-making must tackle two questions. First, what information can decision-makers use in reaching their judgments? Information is the basic raw material of decisions, and decision-makers must acquire, weigh, and act on the data they collect. Second, how do political values affect decisions? The sheer complexity of public problems and the overwhelming volume of information force decision-makers to simplify the context shaping their decisions. Doing so requires relying on political values. And, in turn, the very process of decision-making defines how those values take shape. That means information and values inevitably intertwine in the fundamentally important issues of decision-making.

**Information**

Simon contends that decision-making is the central administrative act. The lifeblood of decision-making is information. If decision-making is the central administrative act, information is the lifeblood of decision-making. It’s possible to make decisions based on a momentary whim or on strong opinions. It’s certainly possible to make decisions without any analysis at all and, of course, policymakers have made decisions for thousands of years without any policy analysis at all. But, as Max Weber pointed out long ago, administrators are hired not for their bias but for their expertise. The ancient Romans, for example, built an aqueduct to carry water to a town in what is now southern France. The delivery system delivered 44 million gallons of water a day across a distance of more than 30 miles. From the beginning to the end of the aqueduct,
however, the system dropped just 56 feet—often just 1 inch for every 1,500 feet in length. That was a remarkable feat of engineering at the time, but it remains standing today.11 We expect administrators today to use their best expertise to make good decisions.

The problem, of course, is that information and the expertise it supports rarely appear as pure, abstract truths. Decision-makers typically must interpret reality. No one ever knows everything. Not everyone knows the same things. And no one is sure that what they think they know is correct. Information is often expensive, and some participants have an advantage because they have greater resources to get more information. Some of the players sometimes have a vested interest in keeping information hidden from others. But in this complicated stew, two aspects of information are vitally important: who has what information and how they—and others—interpret the information they have.12

Values

Values matter in making decisions because problems are complex—so complex, in part, because “it is impossible to analyze them completely,” as Robert D. Behn and James W. Vaupel argue. Furthermore, they contend, “Decisions depend upon judgments—judgments about the nature of the dilemma, the probabilities of events, and the desirability of consequences. Decision-making is inherently subjective.”13 No decision process can include everything. Any process that includes some questions but throws others out is, therefore, full of values. Decision-making must, therefore, assess how best to make such value judgments.

Moreover, because all decisions involve value judgments and all value judgments are political judgments, no public policy decision, no matter how strong the analytical support behind it, can endure if it does not win political support.14 As Francis E. Rourke points out, political support for administrative decisions can come from two sources: An agency’s decisions may enjoy a favorable opinion among the general public (what Rourke calls an agency’s “mass public”), or they may draw support from its narrow interests (“attentive publics” that have a “salient interest in the agency”). Most effective agencies cultivate support from both.15 The National Aeronautics and Space Administration (NASA), for example, works hard to promote the allure of space flight among the general public. It also labors mightily to use its contractors to build support on Capitol Hill for the endless battles over financing its expensive programs.

General public support is important, but political support from an agency’s attentive publics typically is much more crucial. Few private citizens have the resources or time to track or understand complex trails that most public policy decisions follow. In most decisions, only individuals who have the strongest interest are willing to devote the time and money needed to understand and influence the issues. This means, of course, that a relatively small group of experts and interests dominate most administrative decisions.16 That often pits the interests of the public at large against the particular interests of an agency’s attentive publics. The balance of this support is often “inherently unstable,” as Stone puts it. As a result, decision-making often sits in the midst of “border wars waiting to happen.”17

The complexity of decision-making in bureaucracy has led to many different approaches. In this chapter, we explore four approaches and we examine how each deals with the fundamental problems of information and values: (1) the rational decision-making approach, which seeks to maximize efficiency; (2) the bargaining approach, which seeks to maximize political support; (3) the participative decision-making approach, which seeks to improve decisions by intimately involving those affected by them; and (4) the public-choice approach, which attempts
to substitute market-like forces for other incentives that, its supporters argue, distort decisions. No model has universal support, but each model has powerful proponents.

**Rational Decision-Making**

The most fundamental theory of decision-making builds on rationality: seeking the greatest return for any investment or, more simply, getting the biggest bang for the buck. Rational decision-making builds on the work of microeconomists, who hold efficiency as the highest value. It seeks to produce the most output for a given level of inputs—or to use the minimum amount of inputs needed to produce a given amount of output. In short, the goal is to find the most efficient decision. The theory is so simple that it's easy to understand why it's a classic.

**Basic Steps**

The rational decision-making approach follows five basic steps:

1. **Define goals.** Rational decision-making defines the problem we want to solve and the goal we want to achieve. For example, a policy analyst might seek to determine the best way to reduce automobile accident deaths by 10 percent, reduce costs of garbage collection by 5 percent, or reduce air pollution below dangerous limits.

2. **Identify alternatives.** Once we define the goal, the next step is to identify alternatives for achieving the goal. It might be possible to reduce highway deaths by installing new guard rails, encouraging safer car interiors, or making it impossible to text and drive at the same time.

3. **Calculate the consequences.** We then assess the alternatives by measuring the costs and benefits of each one, in dollar terms. We also consider indirect benefits and costs—often called **externalities** or **spillovers**—that relate to other goals. For example, a highway route that is best in terms of the stated transportation goal may destroy parks and increase downtown traffic congestion.

4. **Decide.** Once the analysis is finished, the decision-maker chooses the alternative with the most favorable balance of benefits to costs.

5. **Begin again.** Systems analysis is not a once-and-done process. Instead, analysts see it as an iterative process. Every solution generates the next set of problems, and we always seek to learn from the past.

The rational approach appeals to common sense: Any sensible person will choose the most rational (and efficient) route to their goal. Who, after all, wants to be irrational?18

**Appraisal**

Because the rational approach to decision-making seems so straightforward, it has a large following. Decision-makers using the rational approach, however, must ensure they get enough good information and sort out competing values. An important part of this process is figuring out what “good enough” means.
Information

Rational decision-making requires an extraordinary amount of information. Considering the full range of policy options is, of course, impossible. So, too, is understanding all their benefits and costs. In fact, some critics have argued that the information demands are so intense as to undermine the theory’s power. As Charles E. Lindblom, perhaps the method’s strongest critic, argues: “Men have always wanted to fly. Was the ambition to undertake unaided flight, devoid of any strategy for achieving it, ever a useful norm or ideal? . . . Achieving impossible feats of synopsis [comprehensive analysis] is a bootless, unproductive ideal.” Moreover, by trying to do the impossible, Lindblom worries, “they fall into worse patterns of analysis and decision.” The goal itself is impossible, the gaps are rarely defined, and the result is an uncharted gap in the analysis whose effects are unknown.

In real life, of course, everyone knows it’s impossible to be completely comprehensive. Decision-makers instead simplify the process: (1) They screen out the silly options and minor ideas, and they restrict themselves to a few major alternatives, and (2) they stop searching for options when they come upon a satisfactory alternative, even if they believe that further searching might eventually turn up a better one. James G. March and Herbert A. Simon have called this approach satisficing.

But that leaves us at a difficult place. If we are going to rely on stopping short, how far should we go? How much is enough? The rational model has great power in its simplicity, but there are big challenges in trying to figure out how best to follow it.

Values

Rational decision-making also depends heavily on the values that decision-makers and analysts choose. Something has to be left out—and that inevitably is a question of values. But whose values should rule? The responsibility of public administrators is to execute the policies made by decision-makers, but the laws and ordinances they pass are usually vague. Administrative decision-makers can make their best guess about what the legislature intended (and, of course, risk being told they are wrong when, as is inevitable, someone disagrees) or apply their own values in defining the goals (and risk undercutting the very objectivity at the core of rational decision-making). In either case, values inevitably intrude into a process designed to be rational.

The rational approach is thus very attractive because it offers an elegant prescription for how to make the best decisions. In practice, decision-makers can never fully pursue it, because values inevitably intrude on the effort to make value-free decisions. Rational decision-making is a simple and powerful tool—until it is not.

Diving into Data

Risk Management in Clackamas County, Oregon

Everyone wants the best decisions, but government’s actual operations often raise a big collection of thorny questions. Consider these issues that local government officials in Clackamas County faced.

(Continued)
Questions to Consider

1. These data show accidents for which county employees were at fault in Clackamas County, Oregon. What conclusions do you draw from these data?

2. Are there trends in the data? If so, what might explain any trends?

3. Suppose you were the risk manager for the county. What advice would you give the county executive and department heads about how to reduce accidents that are the fault of county employees?

Public Choice

Spinning off the rational approach to decision-making is a theory of both decisions and bureaucracy based on individuals. This has been labeled as public choice, rational choice, or principal-agent theory. This theory builds on the assumption that individuals are rational. Rational individuals seek to maximize whatever is important to them—what economists call utility. The most rational thing, according to the theory, is to promote one’s self-interest.22

This theory of decision and bureaucratic action thus begins with the individual. If we can identify what individuals want—their utility functions—we can predict their behavior. Such predictions are often quite sophisticated, including formal mathematical equations. The behavior of individuals then builds into models of organizations, by assuming that bureaucracies can be understood as a series of relationships between individuals. There are principals (individuals who want to get things done) and agents (individuals who are responsible to the principals for doing them).23 If we can understand the goals—the utilities—of principals and agents as well as the complexities of their relationships, we can make predictions about how bureaucracies will behave.
As Christopher Pollitt pointed out in 2016, “Maximizing utility/satisfying preferences may sound like a beautifully simple proposition but it is actually very complicated.” Pollitt argues that the following are some of the most important puzzles:

- **Utility.** Determining utility often turns out to be deceptively complex. Sometimes it might even include the pursuit of “other-regarding” issues, like altruism and loyalty. But often it focuses on “self-regarding,” including maximizing things that are important to individuals, like income and power.

- **Stability.** The more stable these preferences are, the stronger the rational-choice models are. However, ongoing political battles and individuals’ own circumstances often cause preferences to change. The more they change, the harder it is to make predictions.

- **Effects.** For the model to work, individuals need to be able to make good predictions about what results will come from the decisions they make. In practice, however, it’s very hard to know enough, especially about the turbulent world of politics, to predict what consequences will flow from which decisions. Rational-choice theorists often tackle this problem by assuming limits on information or boundaries around rationality, but that can sacrifice theoretical precision for connection with a bureaucracy’s operations.

- **Tests.** Because it’s hard to know what the preferences of individuals actually are, it’s often very hard to test whether the predictions of the rational-choice approach actually match operating reality.24

The public-choice theory has thus produced a vast and rich theoretical foundation for understanding the dimensions of public administration. It has also helped counter the common critique that public administration is a collection of ideas without rigor.

**Appraisal**

Public choice has the great advantage of a simple idea that leads to straightforward propositions. It has also led to policy prescriptions—to turn over as many public programs as possible to the private sector and, when that is impossible, to bring private-sector-style competition into the government. But underlying these debates are important issues about information and values.

**Information**

The attractiveness of the public-choice approach lies in its embrace of the market. As Pollitt points out, however, the approach also depends on information, and there are three problems in obtaining the information needed. One is information asymmetry. In complex systems, it is inevitable that some people will know more than others, and it’s likely that subordinates (agents) will know more than their superiors (principals). Those working the day-to-day operations of government programs will almost always have better frontline information than those designing the programs. That can lead to adverse selection, where supervisors’ decisions are not as good as they would be if the supervisors had better
information. This can also produce a **moral hazard** problem. If supervisors cannot know enough about what their subordinates are doing, this can lead subordinates to do things that don’t match the supervisors’ goals. That, in turn, can allow the administration of government programs to drift off course without the supervisors knowing it until small problems explode into big crises.

This constellation of issues can also lead to big policy problems. Many of the lending issues at the core of the 2008 financial crisis stemmed from information asymmetry and moral hazard. Some lenders engaged in unsafe practices, like providing mortgages for more than the home's worth to people who couldn't pay them back. Government regulators lacked enough information to determine what was happening until it was too late—and some lenders who made these loans were able to pass the costs off to others. The tangled story was captured in the 2015 movie *The Big Short*, which won an Oscar for its screenwriters.

**Values**

Critics have long argued that the simple assumptions of public-choice theory don't capture reality. As Steven Kelman contends, this approach is a caricature:

> It ignores the ability of ideas to defeat interests, and the role that public spirit plays in motivating the behavior of participants in the political process. The “public choice” argument is far worse than simply descriptively inaccurate. Achieving good public policy, I believe, requires . . . a norm of public spiritedness in the political action—a view that people should not simply be selfish in their political behavior. . . . The public choice school is part of the assault on this norm.25

The approach unquestionably has helped advance the theory of public administration. But it’s proven more troublesome in driving government reform. Relying more on markets has brought a new collection of problems to government, as we will see in Chapter 12. Furthermore, the approach undervalues the power of public ideas and the public interest: the concept that some things are good for all of us and that decision-makers seek to achieve those things.26

**Bargaining**

An alternative to the rational approach to decision-making is bargaining. Charles E. Lindblom argued that the rational approach is paradoxically less rational—and that it is more rational to bargain over a decision that can attract political support. Lindblom offers a simple prescription for the analysis of public decisions: incrementalism.27 It is best, he says, to limit that analysis to a few alternatives instead of trying to judge them all; to weigh one's values along with the evidence instead of holding them separate, as the rational approach would suggest; and to concentrate on the immediate problems to be solved rather than the broader goals to be achieved. The great goals are almost always beyond reach, especially in the short run, and problems presented in smaller chunks are easier to define, diagnose, and solve. Furthermore, it is easier to build support for a series of incremental changes from the current situation and to correct any errors that might creep in.28
Decisions thus emerge as the product of bargains. In the bargaining game, the perspective of each player is shaped by the player’s position: “Where you stand depends on where you sit,” as the saying goes. Who wins depends on who has the strongest hand and who bargains most effectively.

**Appraisal**

The bargaining approach has drawn withering fire from its critics, especially among proponents of the rational approach.

**Information**

Critics contend that the bargaining approach is dangerously incomplete and deprives decision-makers of important information. The political process, they contend, can be counted on to present decision-makers with political opinions, but it is far less useful in identifying which alternatives are likely to be the most efficient. The result, critics suggest, is that scarce resources can be wasted. When money is tight, bargaining over public programs might produce common ground only by spreading money among the combatants.

Economist Charles Schultze acknowledged that “it may, indeed, be necessary to guard against the naïveté of the systems analyst who ignores political constraints and believes that efficiency alone produces virtue.” But in taking aim at the incrementalists, he concludes, “it is equally necessary to guard against the naïveté of the decision-maker who ignores resource constraints and believes that virtue alone produces efficiency.” It is possible, Schultze argues, to take account of political realities while doing systems analysis.

Lindblom replied that systems analysis cannot be done and argues that his decision-making approach is indeed analysis, but analysis taken in small, repeated bites. Lindblom’s critics, however, counter that his incrementalism approach does not really tell the analyst just how comprehensive to be and how much analysis to do. How large should an increment be? How many alternatives should a decision-maker consider? The only answer is a circular one: The increments should be small enough and the alternatives few enough to produce political consensus. A decision-maker knows that the approach is right if a consensus forms and wrong if it does not. This formula provides decision-makers with a weak guide, but it also matches reality.

**Values**

The bargaining approach is obviously at its strongest in describing how decisions are made and how decision-makers build political support for their judgments. The political strength of different players in this approach, however, varies greatly, so some players have a far stronger advantage than others. Moreover, when insiders bargain over their differences, it is easy for the broad public interest to be forgotten. Those who follow an issue closely can shape decisions before the general public even knows that a major decision is on the table. Interests with enough money can have a disproportionate say in these decisions.

Bargaining thus provides a useful description of how decisions are made. And it asserts the importance of values in decision-making, in stark contrast with the rational model.

**Participative Decision-Making**

Beyond the theory of incrementalism is another approach even more based on politics: involving those most affected by policy decisions in the process of making them. Who, after all, is
most likely to know better what the best decision looks like? But this simple principle raises a host of questions.

What does participation mean? It means involving stakeholders in the decision-making process. These stakeholders include (1) the employees of the organization making the decision, (2) the persons whom the organization serves or regulates (the clientele), (3) the taxpayers whose pocketbooks the decision will affect, and (4) the whole public, or at least the voting public.

Who could object to having the decisions be enlightened by the views of those who have to live with them? The problem, of course, is that insiders often have different views than either policymakers or citizens. Moreover, there are often strong pressures to keep noisy, dangerous, or otherwise contentious programs “not in my backyard”—the NIMBY phenomenon. Many citizens might resist having a drug treatment center located in their neighborhood, for example. And it can work in reverse. When shrinking populations leave neighborhoods with more schools or fire stations than makes economic sense, residents often fight to keep them, as Detroit’s leaders found out.

With the rise of social media, many governments have created blogs and have conducted quick, if unscientific, online polls through tools like SurveyMonkey. Twitter and Facebook have quickly become governmental institutions, as public officials work to keep up with the torrent of virtual communication. Neighborhood meetings and town halls continue to flourish. Nearly everyone finds these processes valuable, and nearly everyone has a way to participate in some form or another. The lasting question is what impact universal participation has on decision-making—and how this participation might improve the quality of the decisions made.

**Appraisal**

There has always been a tension between involving outside stakeholders, a process that is always messy, and holding decisions close, a process that risks undermining broad political support.

**Information**

Few insights into the management of public programs are better than those of the persons who must administer them, and few observers of any program’s effects have keener insights than the citizens most affected by them. The very wealth of this information is a problem, however, because it typically flows to decision-makers as a large, undifferentiated mass, with no easy clues about which information is most important. Too much information can sometimes be as bad as too little. That can encourage decision-makers to see only what they want to see.

**Values**

In sorting through the vast amount of information that the participative approach produces, decision-makers must also confront important value questions. The approach spawns these recurring dilemmas:

1. **Self-interest versus no interest**: whether to serve a narrow clientele dedicated to protection of its own self-interest or a broad, mixed clientele with a less keen interest in the policy

2. **Too much versus too little representation**: whether to allow direct participation in decision-making by all members of the clientele who wish to participate—at
the risk of assembling an impossibly large group to deal with—or direct participation only by those who get appointed or elected to committees, councils, or boards that are officially assumed to represent the clientele—but that may not be very representative.

3. **Too much versus too little power:** whether to give formal or informal power to citizens for making governmental decisions—raising the problem of who looks out for the public interest—or have them simply provide advice (and demands) to public administrators who weigh those views with other considerations and make the actual decisions—but who may not take that advice seriously.

These tradeoffs are hard, but they have big implications for responsive and effective policymaking. On the one hand, participative decision-making has led to new public access to governmental decisions and to the creation of a new cadre of civic leaders. On the other hand, the system has created some avenues of patronage and new officials seeking to protect their own positions. The record is mixed.33

**Limits on Decision-Making**

No single approach offers a clearly best solution to the problems of administrative decision-making. Each approach has its own special virtues and its own special problems. All decisions have this in common: They are made by collections of human beings, each of whom operates in a world full of complex pressures, contradictory information, and diverse advice.
Moreover, the psychological pressures on decision-makers, at every level, can be enormous. As two social psychologists, Irving Janis and Leon Mann, point out, human beings should be seen “not as a cold fish but as a warm-blooded mammal,” one “beset by conflict, doubts, and worry, struggling with incongruous longings, antipathies, and loyalties, and seeking relief by procrastination, rationalizing, or denying responsibility for [their] own choices.”34 Decision-making, in every approach, is hard. There is the enormous uncertainty surrounding complex issues, bureaucratic pathologies that distort and block the flow of important information, and recurrent crises that force decision-makers to reach important conclusions quickly.

Uncertainty

One important issue is uncertainty: what the problems are, who is most affected by them, which solutions are most likely to be most effective, and what results a decision actually produces. Congress, for example, has charged the Federal Reserve with making monetary policy, but especially with the rise of smartphone wallets, contactless credit cards, ride-sharing apps, and Venmo payments, it is possible for many people to go months without spending currency, and that makes it ever more difficult to define what “money” is. Then there’s the matter of crime. There’s a huge difference between jaywalking and shootings, between crimes against property and crimes against people. And many crimes simply go unreported. Mayors always promise to make their cities safer, but it can be tough to define what “safe” means and how to know how much progress is being made.

More and more, decision-makers must tackle new problems. On the morning of September 10, 2001, there were few experts on “homeland security,” an issue that became of fundamental national importance the next day. And sometimes decision-makers have to revisit old problems. Measles was declared “eliminated” in the United States in 2000, but that was before “anti-vaxxers” waged a campaign against childhood immunization only to see measles reemerge as a sometimes deadly illness for children. Even what constitutes a problem is highly uncertain, for problems (like whether to allow 18-year-olds to drink alcohol) emerge in the eye (and values) of the beholder.

Uncertainty surrounds every important decision, and every decision-maker must make decisions from which there is no going back. That is the lesson of Julius Caesar at the Rubicon River. Roman law forbade him from bringing his army back into Rome, for the Romans knew that armed emperors would be impossible to resist, and the Rubicon was the boundary. But as Caesar returned to Rome after a successful military campaign in 49 B.C.E., he decided to challenge the law and Rome’s rulers. Once he crossed the boundary, the Rubicon River, with his army, conflict was inevitable. As Plutarch, an ancient Greek writer, explained:

[Caesar] wavered much in his mind . . . often changed his opinion one way and the other . . . discussed the matter with his friends who were about him . . . computing how many calamities his passing that river would bring upon mankind and what relation of it would be transmitted to posterity. At last, in a sort of passion, casting aside calculation, and abandoning himself to what might come, and using the proverb frequently in their mouths who enter upon dangerous and bold attempts, “The die is cast,” with these words he took the river.35
The phrase, “the die is cast,” in fact, has had important meaning ever since. Even the ancient Romans liked to play games with dice and, as every gamer knows, there’s no pulling the dice back once the player throws them. That’s one big certainty in the world of uncertainty in decision-making. Decisions often have a stubborn finality for those who suffer loss or risk of life and for those whose livelihoods are impaired. A decision-maker doesn’t know what results a decision will produce, and the burden of uncertainty weighs all the heavier on decisions that are irreversible.

**Information Pathologies**

Bureaucratic decision-making, moreover, relies on the flow of information, and the very structure of bureaucracy can distort the flow of information as it moves upward through an organization. It is impossible to pass to the top all information collected at the bottom—top decision-makers would quickly become overwhelmed and even more uncertain about what is actually happening. Bureaucracies therefore condense information at each level along the way. However, this condensation often leads to filtering. Public officials tend to pass along the good news and suppress the bad. At best, this tendency can distort the information flow; at worst, it can completely block early warnings about emerging problems. Furthermore, officials’ own professional training can attune them to some kinds of information more than others. An engineer, even one who has assumed a general managerial position, still may attend more carefully to engineering problems than to others that might be more pressing.36

Sometimes these pathologies cause disasters. On the night before NASA’s launch of the space shuttle *Challenger* in January 1986, for example, engineers for one NASA contractor argued furiously that the cold weather predicted for the launch site the next morning could be dangerous. Mid-level NASA managers rejected the advice and refused to pass it on to top launch officials. The engineers proved tragically good prophets, and the shuttle exploded seventy-three seconds into the flight. Officials with the responsibility for giving the “go” for the launch did not learn about the worries the engineers had expressed that night until the investigation into the disaster began.37

Decision-makers obviously cannot make good decisions without the right information, so they often create devices to avoid the pathologies. They can rely on outside sources, ranging from newspapers to advice from external experts. They can apply a counterbias, using their past knowledge about information sources to judge the reliability of the facts they receive. They can bypass hierarchical levels and go right to the source; some management experts, in fact, advocate “management by walking around,” getting the manager out from behind the desk and onto the frontlines to avoid the “nobody ever tells me anything” problem.38 Some mayors have created “CitiStat” processes, in which they set goals, hold periodic meetings to check on results, identify problems, and ask managers for rapid-response follow-up. That process helps weed out the hierarchical filtering of information, but it also creates strong incentives for gaming the information to put performance in the best light.

In fact, attempts to rid the information chain of pathologies can often create new problems. Increasing the supply of information can clog internal channels of information and overload top officials.39 The problem is rarely having too little information but rather being overwhelmed by too much. In fact, top NASA officials had been informed earlier of the problem that caused the *Challenger* disaster, “but always in a way that didn’t communicate the seriousness of the problem,”
The same lack of urgency resurfaced to produce a second shuttle accident. The key to resolving such problems of information management is redundancy: creating multiple sources of feedback that allow decision-makers to blend competing pieces of information together into a more coherent picture—without wasting scarce resources on too much redundant information. Decision-makers therefore have needed to develop different approaches for dealing with values (see Table 10.1). The challenge to redundancy, of course, is finding a way to deal with even more information.

Information technology systems have helped decision-makers deal with these challenges. The internet and the machines that operate off of it provide great opportunities for processing vast quantities of information. But, just as surely, they have also generated even more information. If the twenty-first century is the information age, one of its most important features is that every effort to manage information creates even more of it—and challenges decision-makers even more to deal with the flood of facts that surround them. That is one of the forces feeding “fake news” and the instinct to dismiss information that proves inconvenient or that conflicts with a decision-maker’s values.

**Crisis**

Crises often precipitate decisions. The city of Flint would not have considered replacing its water pipes had it not been for its water crisis, and the decisions that precipitated its water crisis would not have occurred had it not been for the city’s financial crisis. Superstorm Sandy’s horrific assault in late 2012 on the Northeast prompted a fundamental rethinking of the nation’s infrastructure and its zoning policies in flood plains. When flooding threatened the Strategic Air Command’s headquarters in Nebraska, top Air Force commanders developed new strategies for raising critical defense installations.  

Crises can be managed. Irving L. Janis argues that “vigilant problem solving” can reduce their risks, as managers aggressively seek to formulate the problem they face, collect available information, reformulate the situation, and frame the best options. When Pennsylvania Governor Richard Thornburgh faced the potential of a nuclear disaster during the Three Mile Island nuclear power plant crisis in 1979, he had to follow precisely these steps in finding his way. Nevertheless, the sudden appearance of big problems, along with the big risks that can come from...
unexpected challenges and the high risks that can come from making the wrong decisions, pose enormous problems for decision-makers.

**Managing Risk**

No matter how hard public administrators try to make good decisions, problems can arise. Sometimes that’s because administrators make the wrong decisions. That was the case with the Flint water system, where technical mistakes ended up poisoning citizens. Yet sometimes it’s because problems pile up behind the scenes, either because administrators never see them coming or because they don’t have the capacity to solve them. Sometimes it’s because government tries to do hard things, and with hard things an enormous amount of uncertainty is inevitable. Hard things bring risks. And risks can create big costs.

Avoiding—or minimizing—those costs is the challenge of risk management. But we need to be frank. Most people, including many experienced professionals inside big agencies, find risk boring. In fact, on one episode of the long-running sitcom *Seinfeld*, the writers were looking for the most boring topic they could think of for an episode. They settled on risk management. Risk management is often ignored; or when organizations do pay attention to it, it is an afterthought toward the end of meetings, when participants find their minds drifting off to other problems; or it is an issue delegated to risk managers who then are relegated to the side of the action.

That, however, is a huge mistake. Disasters destroyed two NASA space shuttles, the *Challenger* in 1986 and the *Columbia* in 2003. Hurricane Katrina devastated the Gulf Coast in 2005. Neither the federal, state, nor local governments were prepared to respond. In 2010, a massive explosion on the *Deepwater Horizon*, an oil-drilling platform in the Gulf of Mexico, killed eleven workers, spilled tens of millions of gallons of oil, and caused billions of dollars in damage. *(The story became a major movie in the fall of 2016.)* Risks from Hurricane Harvey put much of Houston underwater in 2017, and the failure to insulate their information systems from online blackmailers shut down computer systems in a series of local governments. Risk is a backwater issue—until a crisis pushes it to center stage.

And that leads to the basic questions of risk management: Can we do a better job of anticipating such problems? Can we either prevent them or improve our ability to respond? And, more broadly, can better managing such large-scale risks improve the overall performance of government?

Many risks are external to the organization. They can range from cyberattacks to an aging workforce. Other risks are internal, such as inadequate financial controls or employee training. External and internal risks can combine to create a wide range of costs to organizations: hazards, such as fire and theft; finances, including cost overruns and credit damage; operations, including poor service and cybersecurity breaches; strategy, including shifting demographics and technology; and reputation, including perceptions of government mismanagement (see Table 10.2). These are all big problems. The challenge, Stephan Braig, Biniam Gebre, and Andrew Sellgren point out, is this: “By its nature, risk management comes under scrutiny only when it fails.” Needless to say, that kind of failure is bad—but if it truly were needless to say, the failures would not recur. Government needs a more effective risk management strategy.
TABLE 10.2 Examples of Risks That Organizations Face

<table>
<thead>
<tr>
<th>Hazard</th>
<th>Description</th>
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<tbody>
<tr>
<td>Liability suits (e.g., operational, products, environmental)</td>
<td></td>
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<tr>
<td>Fire and other property damage</td>
<td></td>
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<tr>
<td>Theft and other crime</td>
<td></td>
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<tr>
<td>Financial</td>
<td>Description</td>
</tr>
<tr>
<td>Price (e.g., interest rate, commodity)</td>
<td></td>
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<tr>
<td>Liquidity (e.g., cash flow, opportunity costs)</td>
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<tr>
<td>Credit (e.g., default by borrowers)</td>
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<tr>
<td>Operational</td>
<td>Description</td>
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<tr>
<td>Customer service</td>
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<td>Succession planning</td>
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<tr>
<td>Cybersecurity</td>
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<tr>
<td>Strategic</td>
<td>Description</td>
</tr>
<tr>
<td>Demographic and social/cultural trends</td>
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<tr>
<td>Technology innovations</td>
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<td>Political trends</td>
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<tr>
<td>Reputational</td>
<td>Description</td>
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<tr>
<td>Procedural and policy mistakes by staff</td>
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<tr>
<td>Perceptions of misuse of government resources</td>
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<tr>
<td>Fraud or contract mismanagement</td>
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**Steps toward Effective Risk Management**

What would such a system look like? A careful study of risk management by McKinsey in 2011 suggested five steps. Let’s consider those steps and their broader implications.

1. Establish transparency. Managing risks first requires understanding them. Organization managers need to begin by exploring and identifying the risks that could affect their performance. They need to understand which risks matter most. And they need to communicate them, both internally (to other members of the organization) and externally (to key stakeholders, including those affected by the risks, like citizens, and those who make policy about the risks, like legislators and
elected executives). The biggest consequences often come from risks that organizations don’t anticipate—or risks they recognize but whose implications they don’t fully grasp. The failure of a simple rubber insulation ring caused the explosion of the space shuttle *Challenger*. Engineers understood that the ring was not as flexible in colder weather. But neither they nor launch officials fully understood that temperatures below freezing could cause the ring to fail. The lack of transparency—their inability to see the risks and its implications—proved catastrophic.

2. *Create a risk constitution.* Once organization managers understand risks as well as they can, they need to understand who is in charge of them. The McKinsey authors call this a “risk constitution.” Which risks should managers decide that they “own,” that they are responsible for understanding and solving? Which risks should they work to transfer to others? What capacity do they need to deal with the risks in their portfolio? The key is to understand that someone must be responsible for every risk that matters and that each person responsible must have the capacity to deal with it. It does no good to see a problem and to assume that someone else will solve it.

3. *Change what matters most.* A risky part of risk management is trying to fix *everything* connected with the underlying risk. Not only is that impossible, but it can also undermine support for the risk management approach, since the more change it imposes, the more resistance it will generate. But, as the McKinsey team suggests, some fundamental processes are likely to be far more important than others in reducing the risks an organization faces. Identifying those core processes, and fixing them first, can substantially shrink risk. In many cities, busy intersections near fire stations can increase the response time. Some cities have installed special systems on traffic lights at those intersections to turn them green until the firefighters have passed. That way they’re not sitting in traffic as they’ve barely pulled out of the station.

4. *Make every risk management issue someone’s business.* One lesson is that risk management must be everyone’s business. But it’s often the case that if something is everyone’s job, it becomes no one’s job—especially if stakeholders see the process as getting in the way of the day-to-day activities of their core mission. To be effective, risk management must be the concentrated focus for a unit within the government, both to make sure it’s on everyone’s agenda and to deal with the inevitable risks that cross over multiple organizations within the government. No one wants to see released prisoners return to jail. But ensuring that they don’t return requires coordinated work by parole officers, job training programs, housing and welfare programs, and medical programs—a network of services to help released prisoners cope with and solve the difficult challenges they face, which often led them to prison to begin with.

5. *Build a risk culture.* Risk management is one of those organizational principles that attracts broad agreement and, sometimes, little action. Managers can easily come to see it as an add-on to their job, instead of a core part of it. In practice, risk management rarely works well unless it becomes part of everyone’s business—part of the organization’s culture. That, of course, lies at the core of local policing and Air Force pilots. They know that every time they go to work, they face life-and-death risks,
and they do all they can to manage them, from checking their gear to maintaining constant awareness of their circumstances. Risk surrounds the work of most government employees—often not life or death, but important nonetheless, ranging from coordinating effective snow removal, to avoiding putting drivers at risk, to processing Social Security payments, to ensuring that retirees can pay their bills.

In this light, risk management isn’t quite so boring after all. We create government programs, after all, because we collectively decide that we want to do something important. If we fail to do it—or fail to do it well—we not only waste money and often put lives on the line. We also undermine citizens’ faith and trust in their government. Risk management thus is about both organizational change and organizational fidelity: how to make public administration work as we expect.

Overcoming Barriers to Risk Management

If risk management is so important, why is it so hard? There are several reasons.

First, it’s often difficult to sustain the attention of top managers. So many big issues—both policy debates and immediate crises—crowd the desks of senior executives. The truly critical short-range issues tend to crowd the very important long-term problems off the agenda. It’s little wonder that senior executives spend their days fighting what’s at the top of the list. However, what’s most urgent isn’t always the most important. The riskiest thing about risk management is that failures are often huge—and top managers never see them coming. It takes an effective risk management system to ensure the organization can prevent big problems or minimize their costs. Top managers might not spend a lot of time doing risk management themselves, but they need to spend enough time on it to make sure it gets done.

Second, organizations are fragmented, while risk management requires a broad, coordinated view. That can create big barriers to effective risk management. Analysts often see this as the result of organizational “silos”—tall structures often unconnected with the rest of the bureaucracy. Risks, however, often flow across government programs and organizations, and that makes it even harder for administrators to manage them. Moreover, as we will see in Chapter 12, some of government’s most important risks flow from programs that cross organizational boundaries. It’s especially easy, in such programs, for government’s managers to violate the fourth principle above—make every risk management issue someone’s business—because it’s especially easy for managers to assume that someone else will be taking care of a problem. That often means no one is taking care of it—and risks can escalate.

Third, if an organization is open and transparent about the risks it faces—the things that could go wrong—that very transparency can create targets for political attack. Legislators and reporters can single out such problems and press on what more isn’t being done to get ready for problems. If problems occur—and, in complicated programs, problems are inevitable—a paper trail documenting known risks in advance is sure to draw fierce fire. If administrators knew about the problem, why didn’t they fix it when there was time? That was an especially important argument after Hurricane Katrina struck. After all, experts for years had warned that a big storm could swamp New Orleans. After Katrina hit, they asked why the city wasn’t better prepared. One way to avoid such after-the-fact attacks is to ensure there is no paper trail to be found. Minimizing risk management means there is no risk analysis to be discovered later—and no document to show that managers knew about and should have prevented a problem. That, of course, only ensures that the problems of risk grow even greater.
These puzzles get to the core of the problem of accountability, to which we’ll return in Chapter 14. There is always politics in public administration, and competing political forces will always look for political advantage in any circumstance. The bigger the stakes, the more they’re likely to seek bigger political advantage. In many ways, therefore, the biggest risk of risk management is that those inside the system will conclude that doing risk analysis is just too risky: that it unnecessarily exposes them to additional political attacks. However, as we saw at the beginning of Chapter 1, failing to consider the risks and consequences of big decisions can lead to enormous, even catastrophic, results. The Flint water crisis became a crisis because government officials made decisions without carefully exploring the possibilities and what could have been done to avoid them. When problems began appearing, they were blind to the risks and caught flat-footed in responding. Only when the problems began having catastrophic consequences for children did the government respond. This was a case where the risks were knowable in advance and discoverable along the way. The failure to look for—and act on—them made the problems worse: the political impact on government officials and the personal health for the citizens. That is as strong a case for risk management as one could imagine.

**Conclusion**

We have examined several approaches to administrative decision-making: rational, public choice, bargaining, and participative. Though in some measure all of these approaches have been put into practice, they all are expressions of theories—full of assumptions—that have tended to harden into dogmas. They also offer, as Table 10.1 shows, a wide range of tactics for dealing with the lasting problems of information and values.

The approaches share, in varying degrees, certain basic defects. This chapter discussed some oversights, especially uncertainty, information pathologies, and crisis, but there are others, such as how a problem or a need for a decision is discovered, formulated, and put on the agenda (most approaches start with a known and stated problem or need). Furthermore, nondecision—the decision not to decide or the avoidance of an issue altogether, whether conscious or unconscious—often has consequences as great as those of a decision itself. When senior Bush administration officials received the President’s Daily Brief on August 6, 2001, that warned, “Bin Laden Determined to Strike in U.S.,” no one took action. The brief was unclear about how or when, and it wasn’t clear about what the administration could or should do. But this was a case where a nondecision had catastrophic consequences just a month later.

More basic are two problems. First, each approach tends to focus on a single value, such as the focus of economists on efficiency in systems analysis, the attention of public choice advocates on private-sector competition, incrementalists’ dedication to maximizing participation, and participative managers’ commitment to full public voice in decisions. These are all important values. However, any approach focused on just one of them is sure to be inadequate for the complex reality of the political world.

Second, it can be difficult to understand what is required to make an approach succeed. Sometimes, as in systems analysis, the conditions may not exist in the real world, and the theorists do not explain very well how to adapt their approaches to reality. Often, however, the adaptations may drain the approach of its power. For example, attempts to adapt the rational decision-making approach by trying to absorb elusive policy goals, the shortage of sufficient quantitative data, the distortion that inevitably comes from converting qualitative goals or accomplishments into measurable terms, and the behavior of members of Congress may lead
to so truncated a version of the rational approach that it is less useful than, say, the more reality-oriented incremental approach.

It is possible, of course, to identify which approaches work best for which problems. The rational approach, for example, tends to work better for issues with clear objectives, quantitative measures, and minimal political pressures. However, even if we can somehow determine which approaches best fit which problems—itself a very tall order—we are left with the puzzle of how to put these different tactical systems to work as a coherent whole. These problems, of course, become even greater when put in the context of risk—programming and political—that always surrounds the tough questions of public administration.

Those puzzles come into the sharpest focus in the budgetary process, which we examine in Chapter 11. As the government’s system-wide decision-making process, budgeting raises the difficult issues of how best to deal with the conflicting pressures toward comprehensive planning and incremental politics that lie at the core of decision-making. Theorists and public officials alike have long struggled to manage an elusive marriage between the two so as to capture the value of each while avoiding the flaws of both.

CASE 10.1

DARE-ing to Challenge Policy

In early April 2018, the fifth graders at West Side Elementary School in Worland, Wyoming, celebrated their graduation from the school’s D.A.R.E. program—Drug Abuse Resistance Education—with certificates and t-shirts. County Sheriff Deputy Colleen McClain was proud of them. “It’s giving them ways to help them not do drugs,” she said.

Efforts like McClain’s had a big fan in former Attorney General Jeff Sessions, who told a D.A.R.E. conference in 2017 that he firmly believes the program saves lives. “Your efforts work,” he said. D.A.R.E. programs date back to the 1980s, and at one point, three-fourths of the nation’s school districts had them. A generation of school kids can repeat back D.A.R.E.’s message: Just say no.

But there’s one problem. Study after study has shown that D.A.R.E. just doesn’t work. Most analyses show little or no impact on reducing drug and alcohol use—and one study even showed that use increased. “I don’t get it,” one D.A.R.E. executive director said of the findings. “It’s like kicking Santa Claus to me.”

Another favorite program, Scared Straight, which pulls at-risk kids off the streets and puts them in prison for a day, was also found to be ineffective. The idea behind the program is to show kids what life behind bars would be like—to, in effect, scare them straight. It seemed like such a good idea. A 1979 documentary on the program won both an Emmy and an Oscar. It spawned programs across the country, along with a long-running television show on A&E. But despite the program’s popularity, the evidence is clear: The program did prove effective—in producing more criminals. Efforts to scare kids straight not only failed to keep them out of jail, but it also, in some cases, increased the odds they’d end up behind bars.
Still, many state governments doggedly continued the program until the Justice Department warned they could lose their funding if they continued to chase a program that the evidence proved ineffective. Yet South Carolina continues to implement its own version of the program, Operation Behind Bars.

The federal Commission on Evidence-Based Policymaking has been campaigning to bring more—and better—analysis to policy decisions. It has pointed, in particular, to the value of randomized controlled trials (RCTs), where individuals are assigned to control groups to test whether a program actually works. RCTs produced the findings on D.A.R.E. and Scared Straight, and they’re widely considered the gold standard for policy analysis.

But most state and local governments can’t afford them: RCTs are very expensive, in large part because they require skilled analysts. As a result, many local government officials get sucked into programs backed by strong constituencies but that offer no evidence of effectiveness. These governments essentially end up pouring enormous amounts of money into programs that don’t work.

GovEx out of Johns Hopkins University believes its “Roadmap for Policy Change” can help communities do better. The roadmap advances a view that, in some part of the world of analysis, is heretical: “When you can’t get rigorously tested, experimentally verified information, it is appropriate to work with what we do have.” The roadmap suggests communities look to others for stories about how they’ve cracked tough problems and navigated tough local political battles. GovEx certainly doesn’t argue against sophisticated analysis. But it argues that cities have to start somewhere, that they don’t always have the time or talent for mega-studies and that they often need to act before the big guns of policy analysis have produced big findings.

For example, Kansas City, Kansas, was looking for fresh ideas to address urban blight. Its local government staff fanned out across the internet and, armed with the results of Google searches, dug up efforts in other cities such as Baltimore, Mobile, Alabama; Memphis; and New Orleans. But after they put the results through a filter—Did any of these ideas seem to make sense for Kansas City?—they discovered that efforts in Chicago suggested they revisit local vacant building ordinances.

RCTs can certainly help cities stage a major breakthrough, like Denver’s innovative social impact bond to attack the problem of homelessness. That’s proven a big success, and the results are backed up by an RCT. But when big problems challenge small staffs and when systematic policy analysis simply can’t be done, a smart roadmap—learning from other cities and working carefully with the evidence on hand—may help lots of communities around the country do better. It can help them avoid the D.A.R.E. trap of chasing nifty ideas that, in practice, just don’t work.


Questions to Consider

1. Are you convinced by the case opponents have made against D.A.R.E.?
2. What are the implications for decision-making that flow from this case?
3. Consider the strategies for using evidence in framing administrative action. What role do you think administrators can—and should—play in developing and using such evidence?
CASE 10.2
Pay to Spray? Fire Protection and the Free Rider Problem in South Fulton, Tennessee

Gene Cranick was devastated as he poked through the remains of his house. His grandson Lance had been clearing out trash and burning it in a barrel near the home. Lance went inside to take a shower and when he came back outside he found a shed in flames. His garden hose couldn’t keep up with the spreading fire, which soon reached the house. The family lost everything, including three dogs and a cat and a lifetime’s belongings.

The rural town of South Fulton, Tennessee, had a fire department. In fact, the fire department arrived at the scene—and watched as the home burned down. The town imposes an annual $75 fire protection fee, commonly known as “pay to spray,” for citizens like Cranick who live outside the South Fulton city limits and who rely on South Fulton’s fire department. “I just forgot to pay my $75,” Gene Cranick explained later. “I did it last year, the year before. . . . It slipped my mind.” The firefighters arrived when his neighbor, who had paid the fee, called 911. The trucks sprayed down the fence line separating the homes but refused to put out the fire at Cranick’s house. As Jeff Vowell, South Fulton’s city manager, later explained, “We have to follow the rules and the ordinances set forth to us, and that’s exactly what we did.”

Cranick’s neighbor had pleaded with the fire department to train the hoses next door. They begged firefighters to help the family, and Cranick offered to pay whatever it would cost for help. The firefighters responded that it was simply too late. The policy, in place for more than two decades, was clear: pay, in advance, to spray. “Anybody that’s not inside the city limits of South Fulton, it’s a service we offer. Either they accept it or they don’t,” South Fulton Mayor David Crocker said.

The sad case led to a national debate over the decision of the firefighters to stand by and watch the home burn. Jacqueline Byers, at the National Association of Counties, explained, “If the city starts fighting fires in the homes of people outside the city who don’t pay, why would anyone pay?” It’s a classic free rider problem, some experts said: allow others to pay the cost of municipal services, and then use the services when they’re needed. But the president of the International Association of Fire Fighters said the policy was “incredibly irresponsible.” He argued, “Professional, career firefighters shouldn’t be forced to check a list before running out the door to see which homeowners have paid up.” Instead, “They get in their trucks and go.”

Conservative commentator Glenn Beck said that the argument will go “nowhere if you go onto ‘compassion, compassion, compassion, compassion.’” The fee, he said, is “to pay for the fire department to have people employed to put the fire out.” He concluded that to use fire services without paying the fee “would be sponging off your neighbor’s $75.” But another conservative commentator, Daniel Foster, countered with this argument: “I have no problem with this kind of opt-in government in principle—especially in rural areas where individual need for governmental services and available infrastructure vary so widely. But forget the politics: what moral theory allows these firefighters (admittedly acting under orders) to watch this house burn to the ground when (1) they have already responded to the scene; (2) they have the means to stop it ready at hand; (3) they have a reasonable expectation to be compensated for their trouble?”
Notes

3. Blackburn, “Family Misses Fee.”

Questions to Consider

1. Do you believe that the firefighters should have used their equipment to put out the fire, even though local policy explicitly told them not to?
2. Should Cranick have been able to pay on the spot for service, so the firefighters could save his house?
3. Do you think that a policy to opt-in for governmental programs—to pay in advance for basic municipal services—is a good one? Do you think there are some services where such a policy is appropriate and some where it is not? Consider, for example, a range of basic services including fire protection, police protection, garbage pickup, snow plowing, road repair, parks, recreation, and local schools. Are some services different from others—and, if so, how would you differentiate between them?
4. If local ordinances set clear policies for local administrators, under what circumstances might it be proper for these administrators to step over the policies? It must have been hard for the firefighters to watch a family grieve as all their possessions went up in flames. Then there is the free rider problem: If someone can plead his or her case in a crisis, why shouldn’t everyone rely on their neighbors to pay for the cost of providing the service? Would it ever be permissible to go against policy in the case of need?

CASE 10.3

Tweeting to the Rescue? How the Mayor of Newark Used Social Media to Improve Public Service Delivery

Some newswriters christened the 2010 Christmas weekend blizzard the Great Tsnownami or Snowmageddon. As nearly two feet of snow buried New York in deep drifts, in one of the five worst storms ever to hit the metropolitan region, thousands of flights were canceled and Amtrak was stalled for two days. Dozens of ambulances became stuck in drifts.

(Continued)
Part IV Making and Implementing Government Decisions

and even heavy front-loaders had to be tugged out of clogged city streets.

Local newspapers complained about the pace of snow removal. The website of the New York Daily News ran a photo of the Staten Island home of John Doherty, the sanitation commissioner. “Does your street look like this?” the website asked. That street, the Daily News said, “was plowed clean,” but “the dead-end streets on either side of his block remained a snow-choked winter blunderland.”

New York Mayor Michael Bloomberg acknowledged that “many New Yorkers are suffering serious hardships.” He also said, however, “The world has not come to an end.” In fact, “The city is going fine. Broadway shows were full last night. There are lots of tourists here enjoying themselves. I think that the message is that the city goes on.” A New York Times writer thought wryly of Bloomberg’s comment as he was looking at two men trying to push a Cadillac Escalade out of a Brooklyn snowbank, with the smell of burning rubber from spinning tires in the air. Were they thinking of taking in a Broadway play, the writer asked? One of the men trying to free the Escalade was incredulous. “Take in a play?” he asked. “What does the mayor suggest? Walking?” Times Square, after all, was a ten-mile hike or a half-hour drive, even in good traffic without snow.

Across the Hudson River, Newark Mayor Cory Booker was camped on Twitter (http://twitter.com/corybooker) and was putting his own shoulder to the shovel. One woman said she was stuck and needed to get to a medical procedure. “I will dig you out. Where are you?” he tweeted. One Twitter follower worried about how Booker’s back was holding up. “Thanks 4 asking, back killing me,” he responded. “Breakfast: Advil and Diet Coke.”

Booker assured residents he was personally on the case. Two days after the storm ended, he tweeted, “Stepping off streets for hour or so 2 take a meeting I couldn’t cancel. We still have dozens of trucks & 100s of workers out clearing snow.” When he got out of the meeting, he told a worried resident, “I’m on my way to Treumont Ave now to help dig your mom out.” Then a tweet arrived: “don’t forget brunswick street by astor.” He was quickly back in touch. “Thanks for the heads up. I’m sending a crew. It will be there in a bit.” From a worried resident, about Booker’s trademark look: “Saw u out there on S Orange. Put a hat on that head. Us baldies can’t be going commando out there.” The reply: “No need I’ve got a hot head.”

Snow removal has a long history of causing officials heartburn, both political and administrative. Chicago Mayor Michael Bilandic lost a primary election in 1979 because, most local political analysts believed, local voters punished him for failing to respond quickly enough to a major blizzard. In 1969, another New York blizzard so politically crippled Mayor John Lindsay that he never recovered. When he visited Queens, residents scorned him. “You should be ashamed of yourself,” screamed one angry woman. Another said, “Get away, you bum.”

Booker was determined to avoid that fate. A tweet arrived: “quitman/spruce need plowing. noone has touch those streets—becoming dangerous.” He shot back, “We r on it. DM me ur # if u want 2 talk.”

Notes


Questions to Consider

1. Compare the two strategies: Bloomberg and Booker. Consider the differences in scale between the two cities. Think about the differences in communication. Which do you believe was most effective?

2. How has the rise of social media, like Twitter and Facebook, changed the decision-making landscape, both in how officials make decisions and how they are seen to make decisions? How do social media affect the way accountability for public decisions might work?

3. Voters and citizens expect good results from their public officials. They expect to hold them accountable for their decisions and, as the Chicago and New York examples show, they can do so at the ballot box. On the other hand, is there a risk in a decision-maker becoming too personally identified with individual actions on the frontlines? Is there a risk that having a mayor shovel out the car of one resident himself might take him away from command decisions that affect opening up the streets for everyone? How should decision-makers sort out the question of who makes which decisions?

KEY CONCEPTS

- adverse selection (283)
- bargaining approach (279)
- externalities (280)
- information asymmetry (283)
- moral hazard (284)
- NIMBY phenomenon (286)
- participative decision-making approach (279)
- public-choice approach (279)
- rational decision-making approach (279)
- risk management (291)
- satisficing (281)
- spillovers (280)

FOR FURTHER READING


The study and practice of decision-making has produced a vast array of approaches to this important and complex field. Many areas of public policy have developed new methods of decision-making, for instance, in the environmental arena (see the Global Development Research Center, www.gdrc.org/decision). In health care, many practitioners have argued for an approach to the field that is based far more on the application of evidence, including work at websites like www.evidencebased.net. Moreover, the Federal Executive Institute’s training programs for the federal government’s top managers contains a wide-ranging collection of courses on decision-making (see www.leadership.opm.gov).

The Society for Judgment and Decision Making has prepared a useful website that contains links to a wide spectrum of work in the field (see www.sjdm.org/links.html). In addition, the International Journal of Information Technology and Decision Making, www.worldscinet.com/ijitdm/ijitdm.shtml, regularly reviews cutting-edge thinking on the subject.