

# Letter to the President

The President  
The White House  
Washington, DC

September 7, 1993

Dear Mr. President,

The National Performance Review, the intensive, 6-month study of the federal government that you requested, has completed its work. This report represents the beginning of what must be, and -- with your leadership -- will be, a long-term commitment to change. The title of this report reflects our goals: moving from red tape to results to create a government that works better and costs less.

Many talented federal employees contributed to this report, bringing their experience and insight to a difficult and urgent task. We sought ideas and advice from all across America: from other federal workers, from state and local government officials, from management experts, from business leaders, and from private citizens eager for change. This report benefitted greatly from their involvement, and we intend for them to benefit from the reforms we are proposing here.

It is your vision of a government that works for people, cleared of useless bureaucracy and waste and freed from red tape and senseless rules, that continues to be the catalyst for our efforts. We present this report to you confident that it will provide an effective and innovative plan to make that vision a reality.

Sincerely,

Al Gore

Vice President

THE--VICE--PRESIDENT  
WASHINGTON

## Preface

We can no longer afford to pay more for--and get less from--our government. The answer for every problem cannot always be another program or more money. It is time to radically change the way the government operates--to shift from top-down bureaucracy to entrepreneurial government that empowers citizens and communities to change our country from the bottom up. We must reward the people and ideas that work and get rid of those that don't. Bill Clinton and Al Gore Putting People First [See note 1](#)

The National Performance Review is about change--historic change--in the way the government works. The Clinton administration believes it is time for a new customer service contract with the American people, a new guarantee of effective, efficient, and responsive government. As our title makes clear, the National Performance Review is about moving from red tape to results to create a government that works better and costs less.

These are our twin missions: to make government work better and cost less. The President has already addressed the federal deficit with the largest deficit reduction package in history. The National

Performance Review can reduce the deficit further, but it is not just about cutting spending. It is also about closing the trust deficit: proving to the American people that their tax dollars will be treated with respect for the hard work that earned them. We are taking action to put America's house in order.

The National Performance Review began on March 3, 1993, when President Clinton announced a 6-month review of the federal government and asked me to lead the effort. We organized a team of experienced federal employees from all corners of the government--a marked change from past efforts, which relied on outsiders.

We turned to the people who know government best--who know what works, what doesn't, and how things ought to be changed. We organized these people into a series of teams, to examine both agencies and cross-cutting systems, such as budgeting, procurement, and personnel. The President also asked all cabinet members to create Reinvention Teams to lead transformations at their departments, and Reinvention Laboratories, to begin experimenting with new ways of doing business. Thousands of federal employees joined these two efforts.

But the National Performance Review did not stop there. From the beginning, I wanted to hear from as many Americans as possible. I spoke with federal employees at every major agency and at federal centers across the country--seeking their ideas, their input, and their inspiration. I visited programs that work: a Miami school that also serves as a community center, a Minnesota pilot program that provides benefits more efficiently by using technology and debit cards, a Chicago neighborhood that has put community policing to work, a U.S. Air Force base that has made quality management a way of life.

We also heard from citizens all across America, in more than 30,000 letters and phone calls. We sought the views of hundreds of different organizations, large and small. We learned from the experience of state and local leaders who have restructured their organizations. And we listened to business leaders who have used innovative management practices to turn their companies around.

At a national conference in Tennessee, we brought together experts to explore how best to apply the principles of reinventing government to improving family services. In Philadelphia's Independence Square, where our government was born, we gathered for a day-long "Reinventing Government Summit" with the best minds from business, government, and the academic community.

This report is the first product of our efforts. It describes roughly 100 of our most important actions and recommendations, while hundreds more are listed in the appendices at the end of this report. In the coming months, we will publish additional information providing more detail on those recommendations.

This report represents the beginning of what will be--what must be--an ongoing commitment to change. It includes actions that will be taken now, by directive of the President; actions that will be taken by the cabinet secretaries and agency heads; and recommendations for congressional action.

The National Performance Review focused primarily on how government should work, not on what it should do. Our job was to improve performance in areas where policymakers had already decided government should play a role. We examined every cabinet department and 10 agencies. At two departments, Defense and Health and Human Services, our work paralleled other large-scale reviews already under way. Defense had launched a Bottom-Up Review to meet the President's 1994-1997 spending reduction target. In addition, comprehensive health and welfare reform task forces had been established to make large-scale changes in significant parts of Health and Human Services. Nevertheless, we made additional recommendations in both these departments and passed other findings

on to the relevant task force for review.

The National Performance Review recommendations, if enacted, would produce savings of \$108 billion over 5 years. As the table below indicates, \$36.4 billion of these savings come from specific changes proposed in the agencies and departments of the government.

We also expect that the reinventions we propose will allow us to reduce the size of the civilian, non-postal workforce by 12 percent over the next 5 years. This will bring the federal workforce below two million employees for the first time since 1967. This reduction in the workforce will total 252,000 positions--152,000 over and above the 100,000 already promised by President Clinton.

Most of the personnel reductions will be concentrated in the structures of over-control and micromanagement that now bind the federal government: supervisors, headquarters staffs, personnel specialists, budget analysts, procurement specialists, accountants, and auditors. These central control structures not only stifle the creativity of line managers and workers, they consume billions per year in salary, benefits, and administrative costs. Additional personnel cuts will result as each agency reengineers its basic work processes to achieve higher productivity at lower costs--eliminating unnecessary layers of management and nonessential staff.

We will accomplish as much of this as possible through attrition, early retirement, and a time-limited program of cash incentives to leave federal service. If an employee whose job is eliminated cannot take early retirement and elects not to take a cash incentive to leave government service, we will help that employee find another job offer through out-placement assistance.

In addition to savings from the agencies and savings in personnel we expect that systematic reform of the procurement process should reduce the cost of everything the government buys. Our antiquated procurement system costs the government in two ways: first, we pay for all the bureaucracy we have created to buy things, and second, manufacturers build the price of dealing with this bureaucracy into the prices they charge us. If we reform the procurement system, we should be able to save \$22 billion over 5 years.

As everyone knows, the computer revolution allows us to do things faster and more cheaply than we ever have before. Savings due to consolidation and modernization of the information infrastructure amount to \$5.4 billion over 5 years. Finally, by simplifying paperwork and reducing administrative costs, we expect to save \$3.3 billion over 5 years in the cost of administering grant programs to state and local governments.

Many of the spending cuts we propose can be done by simplifying the internal organization of our departments and agencies. Others will require legislation. We recognize that there is broad support in Congress for both spending cuts and government reforms, and we look forward to working with Congress to pass this package of recommendations. As President Clinton said when he announced the National Performance Review:

This performance review is not about politics. Programs passed by both Democratic presidents and Republican presidents, voted on by members of Congress of both parties, and supported by the American people at the time, are being undermined by an inefficient and outdated bureaucracy, and by our huge debt. For too long the basic functioning of the government has gone unexamined. We want to make improving the way government does business a permanent part of how government works, regardless of which party is in power.

We have not a moment to lose. President Kennedy once told a story about a French general who asked his gardener to plant a tree. "Oh, this tree grows slowly," the gardener said. "It won't mature for a hundred years."

"Then there's no time to lose," the general answered. "Plant it this afternoon."

Al Gore

Vice President of the United States

## Clinton/Gore NPR Savings

(FY-1995-1999 \$ in Billions)	
Agencies	36.4
Streamlining the Bureaucracy through Reengineering	40.4
Procurement	22.5
5% annual savings in total procurement spending	
Information Technology	5.4
Savings due to consolidation and modernization of the information infrastructure	
Intergovernmental	3.3
Offer fee-for-service option in lieu of existing administrative costs	
Total	108
(For a fuller description see Appendix A and Appendix B.)	

## Introduction

Our goal is to make the entire federal government both less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment. We intend to redesign, to reinvent, to reinvigorate the entire national government." President Bill Clinton Remarks announcing the National Performance Review March 3, 1993

Public confidence in the federal government has never been lower. The average American believes we waste 48 cents of every tax dollar. Five of every six want "fundamental change" in Washington. Only 20 percent of Americans trust the federal government to do the right thing most of the time--down from 76 percent 30 years ago. See Note 1

We all know why. Washington's failures are large and obvious. For a decade, the deficit has run out of control. The national debt now exceeds \$4 trillion--\$16,600 for every man, woman, and child in America.

But the deficit is only the tip of the iceberg. Below the surface, Americans believe, lies enormous unseen waste. The Defense Department owns more than \$40 billion in unnecessary supplies. See Note 2 The Internal Revenue Service struggles to collect billions in unpaid bills. A century after industry replaced

farming as America's principal business, the Agriculture Department still operates more than 12,000 field service offices, an average of nearly 4 for every county in the nation--rural, urban, or suburban. The federal government seems unable to abandon the obsolete. It knows how to add, but not to subtract.

And yet, waste is not the only problem. The federal government is not simply broke; it is broken. Ineffective regulation of the financial industry brought us the savings and loan debacle. Ineffective education and training programs jeopardize our competitive edge. Ineffective welfare and housing programs undermine our families and cities.

We spend \$25 billion a year on welfare, \$27 billion on food stamps, and \$13 billion on public housing--yet more Americans fall into poverty every year.See Note 3 We spend \$12 billion a year waging war on drugs--yet see few signs of victory. We fund 150 different employment and training programs--yet the average American has no idea where to get job training, and the skills of our workforce fall further behind those of our competitors.See Note 4

It is almost as if federal programs were designed not to work. In truth, few are "designed" at all; the legislative process simply churns them out, one after another, year after year. It's little wonder that when asked if "government always manages to mess things up," two-thirds of Americans say "yes."See Note 5

To borrow the words of a recent Brookings Institution book, we suffer not only a budget deficit but a performance deficit.See Note 6 Indeed, public opinion experts argue that we are suffering the deepest crisis of faith in government in our lifetimes. In past crises--Watergate or the Vietnam War, for example--Americans doubted their leaders on moral or ideological grounds. They felt their government was deceiving them or failing to represent their values. Today's crisis is different: people simply feel that government doesn't work.See Note 7

In Washington, debate rarely focuses on the performance deficit. Our leaders spend most of their time debating policy issues. But if the vehicle designed to carry out policy is broken, new policies won't take us anywhere. If the car won't run, it hardly matters where we point it; we won't get there. Today, the central issue we face is not what government does, but how it works.

We need a federal government that delivers more for less. We need a federal government that treats its taxpayers as if they were customers and treats taxpayer dollars with respect for the sweat and sacrifice that earned them. Vice President Al Gore May 24, 1993

We have spent too much money for programs that don't work. It's time to make our government work for the people, learn to do more with less, and treat taxpayers like customers.

President Clinton created the National Performance Review to do just that. In this report we make hundreds of recommendations for actions that, if implemented, will revolutionize the way the federal government does business. They will reduce waste, eliminate unneeded bureaucracy, improve service to taxpayers, and create a leaner but more productive government. As noted in the preface, they can save \$108 billion over 5 years if those which will be enacted by the President and his cabinet are added to those we propose for enactment by Congress. Some of these proposals can be enacted by the President and his cabinet, others will require legislative action. We are going to fight for these changes. We are determined to create a government that works better and costs less.

## **A Cure Worse Than The Disease**

Government is not alone in its troubles. As the Industrial Era has given way to the Information Age,

institutions--both public and private--have come face to face with obsolescence. The past decade has witnessed profound restructuring: In the 1980s, major American corporations reinvented themselves; in the 1990s, governments are struggling to do the same.

In recent years, our national leaders responded to the growing crisis with traditional medicine. They blamed the bureaucrats. They railed against "fraud, waste, and abuse." And they slapped ever more controls on the bureaucracy to prevent it. But the cure has become indistinguishable from the disease. The problem is not lazy or incompetent people; it is red tape and regulation so suffocating that they stifle every ounce of creativity. No one would offer a drowning man a drink of water. And yet, for more than a decade, we have added red tape to a system already strangling in it.

The federal government is filled with good people trapped in bad systems: budget systems, personnel systems, procurement systems, financial management systems, information systems. When we blame the people and impose more controls, we make the systems worse. Over the past 15 years, for example, Congress has created within each agency an independent office of the inspector general. The idea was to root out fraud, waste, and abuse. The inspectors general have certainly uncovered important problems. But as we learned in conversation after conversation, they have so intimidated federal employees that many are now afraid to deviate even slightly from standard operating procedure.

Yet innovation, by its nature, requires deviation. Unfortunately, faced with so many controls, many employees have simply given up. They do everything by the book--whether it makes sense or not. They fill out forms that should never have been created, follow rules that should never have been imposed, and prepare reports that serve no purpose--and are often never even read. In the name of controlling waste, we have created paralyzing inefficiency. It's time we found a way to get rid of waste and encourage efficiency.

## **The Root Problem: Industrial-Era Bureaucracies in an Information Age**

Is government inherently incompetent? Absolutely not. Are federal agencies filled with incompetent people? No. The problem is much deeper: Washington is filled with organizations designed for an environment that no longer exists--bureaucracies so big and wasteful they can no longer serve the American people.

From the 1930s through the 1960s, we built large, top-down, centralized bureaucracies to do the public's business. They were patterned after the corporate structures of the age: hierarchical bureaucracies in which tasks were broken into simple parts, each the responsibility of a different layer of employees, each defined by specific rules and regulations. With their rigid preoccupation with standard operating procedure, their vertical chains of command, and their standardized services, these bureaucracies were steady--but slow and cumbersome. And in today's world of rapid change, lightning-quick information technologies, tough global competition, and demanding customers, large, top-down bureaucracies--public or private--don't work very well. Saturn isn't run the way General Motors was. Intel isn't run the way IBM was.

Our people, of course, work hard for their money.... They want quality in the cars they buy. They want quality in their local schools. And they want quality in their federal government and in federal programs. Senator John Glenn Remarks introducing a hearing on federal planning and performance May 5, 1992

Many federal organizations are also monopolies, with few incentives to innovate or improve. Employees have virtual lifetime tenure, regardless of their performance. Success offers few rewards; failure, few penalties. And customers are captive; they can't walk away from the air traffic control system or the Internal Revenue Service and sign up with a competitor. Worse, most federal monopolies receive their money without any direct input from their customers. Consequently, they try a lot harder to please Congressional appropriations subcommittees than the people they are meant to serve. Taxpayers pay more than they should and get poorer service.

Politics intensifies the problem. In Washington's highly politicized world, the greatest risk is not that a program will perform poorly, but that a scandal will erupt. Scandals are front-page news, while routine failure is ignored. Hence control system after control system is piled up to minimize the risk of scandal. The budget system, the personnel rules, the procurement process, the inspectors general--all are designed to prevent the tiniest misstep. We assume that we can't trust employees to make decisions, so we spell out in precise detail how they must do virtually everything, then audit them to ensure that they have obeyed every rule. The slightest deviation prompts new regulations and even more audits.

Before long, simple procedures are too complex for employees to navigate, so we hire more budget analysts, more personnel experts, and more procurement officers to make things work. By then, the process involves so much red tape that the smallest action takes far longer and costs far more than it should. Simple travel arrangements require endless forms and numerous signatures. Straightforward purchases take months; larger ones take years. Routine printing jobs can take dozens of approvals.

This emphasis on process steals resources from the real job: serving the customer. Indeed, the federal government spends billions paying people who control, check up on, or investigate others--supervisors, headquarters staffs, budget officers, personnel officers, procurement officers, and staffs of the General Accounting Office (GAO) and the inspectors general.<sup>8</sup> Not all this money is wasted, of course. But the real waste is no doubt larger, because the endless regulations and layers of control consume every employee's time. Who pays? The taxpayer.

During Vice President Gore's town hall meeting with employees of the Department of Housing and Urban Development (HUD), the following exchange took place:

Participant: We had an article in our newsletter several months ago that said -- the lead story was "I'd rather have a lobotomy than have another idea." And that was reflecting the problem of our Ideas Program here in HUD.

Many of the employees have wonderful ideas about how to save money and so on, but the way it works is that it has to be approved by the supervisor and the supervisor's supervisor and the supervisor's supervisor's supervisor before it ever gets to the Ideas Program ...

Many of the supervisors feel threatened because they didn't think of this idea, and this money is wasted in their office, and they didn't believe or didn't know it was happening and didn't catch it. So they are threatened and feel that it will make them look bad if they recognize the idea.

Vice President Gore: So they strangle that idea in the crib, don't they? Participant: And then they strangle the person that had the idea.

Participant: And then they strangle the person that had the idea.

Consider but one example, shared with Vice President Gore at a meeting of federal employees in Atlanta. After federal marshals seize drug dealers' homes, they are allowed to sell them and use the money to help finance the war on drugs. To sell the houses, they must keep them presentable, which includes keeping the lawns mowed. In Atlanta, the employee explained, most organizations would hire neighborhood teenagers to mow a lawn for \$10. But procurement regulations require the U.S. Marshals Service to bid out all work competitively, and neighborhood teenagers don't compete for contracts. So the federal government pays \$40 a lawn to professional landscape firms. Regulations designed to save money waste it, because they take decisions out of the hands of those responsible for doing the work. And taxpayers lose \$30 for every lawn mowed.

What would happen if the marshals used their common sense and hired neighborhood teenagers? Someone would notice--perhaps the Washington office, perhaps the inspector general's office, perhaps even the GAO. An investigation might well follow--hindering a career or damaging a reputation.

In this way, federal employees quickly learn that common sense is risky--and creativity is downright dangerous. They learn that the goal is not to produce results, please customers, or save taxpayers' money, but to avoid mistakes. Those who dare to innovate do so quietly.

This is perhaps the saddest lesson learned by those who worked on the National Performance Review: Yes, innovators exist within the federal government, but many work hard to keep their innovations quiet. By its nature, innovation requires a departure from standard operating procedure. In the federal government, such departures invite repercussions.

The result is a culture of fear and resignation. To survive, employees keep a low profile. They decide that the safest answer in any given situation is a firm "maybe." They follow the rules, pass the buck, and keep their heads down. They develop what one employee, speaking with Vice President Gore at a Department of Veterans Affairs meeting, called "a government attitude."

## **The Solution: Creating Entrepreneurial Organizations**

How do we solve these problems? It won't be easy. We know all about government's problems, but little about solutions. The National Performance Review began by compiling a comprehensive list of problems. We had the GAO's 28-volume report on federal management problems, published last fall. We had GAO's High-Risk Series, a 17-volume series of pamphlets on troubled programs and agencies. We had the House Government Operations Committee's report on federal mismanagement, called *Managing the Federal Government: A Decade of Decline*. And we had 83 notebooks summarizing just the tables of contents of reports published by the inspectors general, the Congressional Budget Office, the agencies, and think tanks.

Unfortunately, few of these studies helped us design solutions. Few of the investigating bodies had studied success stories--organizations that had solved their problems. And without studying success, it is hard to devise real solutions. For years, the federal government has studied failure, and for years, failure has endured. Six of every ten major agencies have programs on the Office of Management and Budget's "high-risk" list, meaning they carry a significant risk of runaway spending or fraud.

The National Performance Review approached its task differently. Not only did we look for potential savings and efficiencies, we searched for success. We looked for organizations that produced results, satisfied customers, and increased productivity. We looked for organizations that constantly learned, innovated, and improved. We looked for effective, entrepreneurial public organizations. And we found them: in local government, in state government, in other countries--and right here in our federal

government.

At the Air Combat Command, for example, we found units that had doubled their productivity in 5 years. Why? Because the command measured performance everywhere; squadrons and bases competed proudly for the best maintenance, flight, and safety records; and top management had empowered employees to strip away red tape and redesign work processes. A supply system that had once required 243 entries by 22 people on 13 forms to get one spare part into an F-15 had been radically simplified and decentralized. Teams of employees were saving millions of dollars by moving supply operations to the front line, developing their own flight schedules, and repairing parts that were once discarded. See Note 9

At the Internal Revenue Service, we found tax return centers competing for the best productivity records. Performance on key customer service criteria--such as the accuracy of answers provided to taxpayers--had improved dramatically. Utah's Ogden Service Center, to cite but one example, had more than 50 "productivity improvement teams" simplifying forms and reengineering work processes. Not only had employees saved more than \$11 million, they had won the 1992 Presidential Award for Quality. See Note 10 At the Forest Service, we found a pilot project in the 22-state Eastern Region that had increased productivity by 15 percent in just 2 years. The region had simplified its budget systems, eliminated layers of middle management, pared central headquarters staff by a fifth, and empowered front-line employees to make their own decisions. At the Mark Twain National Forest, for instance, the time needed to grant a grazing permit had shrunk from 30 days to a few hours--because employees could grant permits themselves rather than process them through headquarters. See Note 11

We discovered that several other governments were also reinventing themselves, from Australia to Great Britain, Singapore to Sweden, the Netherlands to New Zealand. Throughout the developed world, the needs of information-age societies were colliding with the limits of industrial-era government. Regardless of party, regardless of ideology, these governments were responding. In Great Britain, conservatives led the way. In New Zealand, the Labor Party revolutionized government. In Australia and Sweden, both conservative and liberal parties embraced fundamental change.

In the United States, we found the same phenomenon at the state and local levels. The movement to reinvent government is as bipartisan as it is widespread. It is driven not by political ideology, but by absolute necessity. Governors, mayors, and legislators of both parties have reached the same conclusion: Government is broken, and it is time to fix it.

Where we found success, we found many common characteristics. Early on, we articulated these in a one-page statement of our commitment. In organizing this report, we have boiled these characteristics down to four key principles.

## **1. Cutting Red Tape**

Effective, entrepreneurial governments cast aside red tape, shifting from systems in which people are accountable for following rules to systems in which they are accountable for achieving results. They streamline their budget, personnel, and procurement systems--liberating organizations to pursue their missions. They reorient their control systems to prevent problems rather than simply punish those who make mistakes. They strip away unnecessary layers of regulation that stifle innovation. And they deregulate organizations that depend upon them for funding, such as lower levels of government.

## **2. Putting Customers First**

Effective, entrepreneurial governments insist on customer satisfaction. They listen carefully to their customers--using surveys, focus groups, and the like. They restructure their basic operations to meet customers' needs. And they use market dynamics such as competition and customer choice to create incentives that drive their employees to put customers first.

By "customer," we do not mean "citizen." A citizen can participate in democratic decisionmaking; a customer receives benefits from a specific service. All Americans are citizens. Most are also customers: of the U.S. Postal Service, the Social Security Administration, the Department of Veterans Affairs, the National Park Service, and scores of other federal organizations.

In a democracy, citizens and customers both matter. But when they vote, citizens seldom have much chance to influence the behavior of public institutions that directly affect their lives: schools, hospitals, farm service agencies, social security offices. It is a sad irony: citizens own their government, but private businesses they do not own work much harder to cater to their needs.

### **3. Empowering Employees to Get Results**

Effective, entrepreneurial governments transform their cultures by decentralizing authority. They empower those who work on the front lines to make more of their own decisions and solve more of their own problems. They embrace labor-management cooperation, provide training and other tools employees need to be effective, and humanize the workplace. While stripping away layers and empowering front-line employees, they hold organizations accountable for producing results.

### **4. Cutting Back to Basics: Producing Better Government for Less**

Effective, entrepreneurial governments constantly find ways to make government work better and cost less--reengineering how they do their work and reexamining programs and processes. They abandon the obsolete, eliminate duplication, and end special interest privileges. They invest in greater productivity, through loan funds and long-term capital investments. And they embrace advanced technologies to cut costs.

These are the bedrock principles on which the reinvention of the federal bureaucracy must build--and the principles around which we have organized our actions. They fit together much like the pieces of a puzzle: if one is missing, the others lose their power. To create organizations that deliver value to American taxpayers, we must embrace all four.

Our approach goes far beyond fixing specific problems in specific agencies. Piecemeal efforts have been under way for years, but they have not delivered what Americans demand. The failure in Washington is embedded in the very systems by which we organize the federal bureaucracy. In recent years, Congress has taken the lead in reinventing these systems. In 1990, it passed the Chief Financial Officers Act, designed to overhaul financial management systems; in July 1993, it passed the Government Performance and Results Act, which will introduce performance measurement throughout the federal government. With Congress's leadership, we hope to reinvent government's other basic systems, such as budget, personnel, information, and procurement.

Americans voted for a change last November. They want better schools and health care and better roads and more jobs, but they want us to do it all with a government that works better on less money and that is more responsive.

President Bill Clinton

### Remarks announcing the National Performance Review March 3, 1993

Our approach has much in common with other management philosophies, such as quality management and business process reengineering. But these management disciplines were developed for the private sector, where conditions are quite different. In business, red tape may be bad, but it is not the suffocating presence it is in government. In business, market incentives already exist; no one need invent them. Powerful incentives are always at work, forcing organizations to do more with less. Indeed, businesses that fail to increase their productivity--or that tie themselves up in red tape--shrink or die. Hence, private sector management doctrines tend to overlook some central problems of government: its monopolies, its lack of a bottom line, its obsession with process rather than results. Consequently, our approach goes beyond private sector methods. It is aimed at the heart and soul of government.

The National Performance Review also shares certain goals with past efforts to cut costs in government. But our mission goes beyond cost-cutting. Our goal is not simply to weed the federal garden; it is to create a regimen that will keep the garden free of weeds. It is not simply to trim pieces of government, but to reinvent the way government does everything. It is not simply to produce a more efficient government, but to create a more effective one. After all, Americans don't want a government that fails more efficiently. They want a government that works.

To deliver what the people want, we need not jettison the traditional values that underlie democratic governance--values such as equal opportunity, justice, diversity, and democracy. We hold these values dear. We seek to transform bureaucracies precisely because they have failed to nurture these values. We believe that those who resist change for fear of jeopardizing our democratic values doom us to a government that continues--through its failures--to subvert those very values.

#### Principles of the National Performance Review

We will invent a government that puts people first, by:

- Cutting unnecessary spending
- Serving its customers
- Empowering its employees
- --Helping communities solve their own problems
- Fostering excellence

Here's how. We will:

- Create a clear sense of mission
- Steer more, row less
- Delegate authority and responsibility
- Replace regulations with incentives
- Develop budgets based on outcomes

- Expose federal operations to competition
- --Search for market, not administrative, solutions
- Measure our success by customer satisfaction

### Our Commitment: A Long-Term Investment in Change

This is not the first time Americans have felt compelled to reinvent their government. In 1776, our founding fathers rejected the old model of a central power issuing edicts for all to obey. In its place, they created a government that broadly distributed power. Their vision of democracy, which gave citizens a voice in managing the United States, was untried and untested in 1776. It required a tremendous leap of faith. But it worked.

Later generations extended this experiment in democracy to those not yet enfranchised. As the 20th century dawned, a generation of "Progressives" such as Teddy Roosevelt and Woodrow Wilson invented the modern bureaucratic state, designed to meet the needs of a new industrial society. Franklin Roosevelt brought it to full flower. Indeed, Roosevelt's 1937 announcement of his Committee on Administrative Management sounds as if it were written today:

The time has come to set our house in order. The administrative management of the government needs overhauling. The executive structure of the government is sadly out of date .... If we have faith in our republican form of government ... we must devote ourselves energetically and courageously to the task of making that government efficient.

Through the ages, public management has tended to follow the prevailing paradigm of private management. The 1930s were no exception. Roosevelt's committee--and the two Hoover commissions that followed--recommended a structure patterned largely after those of corporate America in the 1930s. In a sense, they brought to government the GM model of organization.

By the 1980s, even GM recognized that this model no longer worked. When it created Saturn, its first new division in 67 years, GM embraced a very different model. It picked its best and brightest and asked them to create a more entrepreneurial organization, with fewer layers, fewer rules, and employees empowered to do whatever was necessary to satisfy the customer. Faced with the very real threat of bankruptcy, major American corporations have revolutionized the way they do business. Confronted with our twin budget and performance deficits--which so undermine public trust in government--President Clinton intends to do the same thing. He did not staff the Performance Review primarily with outside consultants or corporate experts, as past presidents have. Instead, he chose federal employees to take the lead. They consulted with experts from state government, local government, and the private sector. But as Vice President Gore said over and over at his meetings with federal employees: "The people who work closest to the problem know the most about how to solve the problem."

Nor did the effort stop with the men and women who staffed the Performance Review. President Clinton asked every cabinet member to create a Reinvention Team to redesign his or her department, and Reinvention Laboratories to begin experimenting immediately. Since April, people all across our government have been working full time to reinvent the federal bureaucracy. The process is not easy, nor will it be quick. There are changes we can make immediately, but even if all of our actions are enacted, we will only have begun to reinvent the federal government. Our efforts are but a down payment--the first installment of a long-term investment in change. Every expert with whom we talked reminded us that change takes time. In a large corporation, transformation takes 6 to 8 years at best. In

the federal government, which has more than 7 times as many employees as America's largest corporation, it will undoubtedly take longer to bring about the historic changes we propose. See Note 12

Along the way, we will make mistakes. Some reforms will succeed beyond our wildest dreams; others will not. As in any experimental process, we will need to monitor results and correct as we go. But we must not confuse mistakes with failure. As Tom Peters and Robert Waterman wrote in *In Search of Excellence*, any organization that is not making mistakes is not trying hard enough. Babe Ruth, the Sultan of Swat, struck out 1,330 times.

With this report, then, we begin a decade-long process of reinvention. We hope this process will involve not only the thousands of federal employees now at work on Reinvention Teams and in Reinvention Labs, but millions more who are not yet engaged. We hope it will transform the habits, culture, and performance of all federal organizations.

I would invite those who are cynical about the possibility of this change to ask themselves this question: What would your reaction have been 10 years ago if someone had said that in the summer of 1993 American automobile companies would be making the highest quality, most competitively priced cars in the world? I know my reaction would have been, "No way. I am sorry, but I've bought too many clunkers. They can't do it. The momentum toward mediocrity is just too powerful." But that change has taken place. And if an industry as large and as stodgy as the automobile industry can undergo that kind of transformation, then the federal government can as well.

Vice President Al Gore

Town Hall Meeting,

Department of Energy

July 13, 1993

Some may say that the task is too large; that we should not attempt it because we are bound to make mistakes; that it cannot be done. But we have no choice. Our government is in trouble. It has lost its sense of mission; it has lost its ethic of public service; and, most importantly, it has lost the faith of the American people.

In times such as these, the most dangerous course is to do nothing. We must have the courage to risk change.



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