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"PUBLIC ENTREPRENEURSHIP," the idea that governments should be run more like businesses, has gained increasing acceptance among elected officials and public administrators over the past several years. Vice-President Gore's widely advertised campaign to "reinvent government" is the most extensive and sustained effort to pursue this idea, but local governments around the world have embraced the movement. In the midst of fiscal belt-tightening and public opposition to increased taxes, public administrators welcome the idea that governments can succeed by doing more with less. Mayors such as Stephen Goldsmith of Indianapolis, Edward Rendell of Philadelphia, and Rudolph Giuliani of New York pride themselves on reinventing city government.

Most scholars of public affairs, however, have been skeptical about public entrepreneurship, questioning its effectiveness and effects on democracy. They fear that entrepreneurial programs allow unelected bureaucrats—who may not be monitored, assessed, or held accountable, as elected officials are—to take risks with the public's money. Some leading scholars of public administration, including H. George Frederickson, a strong critic of public entrepreneurship from the University of Kansas, go even further. They argue that turning over government's obligations to private contractors, and may be willing to take financial risks, among them the investment of public money in stocks and bonds, to reap financial rewards.

Entrepreneurial government involves emulating the private sector by emphasizing earning rather than spending. Public entrepreneurs constantly seek to shift resources from areas of lower return to areas of higher productivity and greater yield. They may cut costs by turning over some of the traditional functions of government—such as garbage collection—to private contractors, and be willing to take financial risks, among them the investment of public money in stocks and bonds, to reap financial rewards.

Incompetence at the public's expense is a violation of the public trust, an abuse of office, and a major breach of public ethics. we believe that entrepreneurship in government is necessary, particularly given a public that constantly seeks more and higher-quality public services and yet also wants lower taxes and less government. Government entrepreneurship can be ethical, but to insure that it is, we need better operating guidelines for practitioners and more attention to ethics in the programs that train public administrators.

Critics of public entrepreneurship point to the Orange County debacle to argue that government cannot and should not be run like a business, and that it is always unethical to put public funds at risk. However, while following this prescription could certainly have prevented the problems that developed in both Orange County and in Visalia, it would have precluded the successes in Indianapolis. Furthermore, it would have held more than 60 competitions for more than $100 million in city contracts for various services. City workers won all or part of 29 contracts, while private companies won 35. The savings to taxpayers was estimated at more than $120 million over seven years. The most significant project transferred operation of the city's wastewater treatment plant to a private company, costing the city $65 million less over the term of the five-year agreement than if city workers had done the job. Jobs were found in other government agencies for the city workers who weren't hired by the new operator.

Although opponents of the agreement blamed the private operator for two accidents that led to the death of 500,000 fish in the local White River, an independent consultant concluded that the private contractor did not contribute to the fish kills.

In Visalia, Cal., the city manager, Theodore Guenther, one of the architects of reinventing government, instituted a flexible budget system in the late 1970s that permitted departments to spend leftover funds on any project that met the agreed-upon mission of the departments. A mid-level employee in parks and recreation thus was able to acquire an Olympic-sized swimming pool for the city at half the market price.

Reinvention turned sour, however, when Guenther's successor entered into a public/private partnership to build a downtown hotel. The private developer failed to perform and then filed for bankruptcy, leaving the city with all of the debt and a half-finished hotel.

In Orange County, Cal., the county treasurer, Robert Citron, used innovative and aggressive investment policies in the early 90's to earn for the county—and 169 other municipalities who contributed to an investment pool—5 per cent more than the state of California was able to earn on its investments. In fiscal 1994-1995, about a third of Orange County's operating budget was derived from investment earnings. But on December 6, 1994, the county declared bankruptcy in the face of $1.7 billion in losses sustained by its investment pool, resulting from the high-risk strategy of speculating on trends in interest rates.

In Visalia and Orange County cases, we ask our students to think about whether the policies that caused problems are inherently suspect or could have been carried out ethically. Critics of public entrepreneurship point to the Orange County debacle to argue that government cannot and should not be run like a business, and that it is always unethical to put public funds at risk. However, while following this prescription could certainly have prevented the problems that developed in both Orange County and in Visalia, it would have precluded the successes in Indianapolis. Furthermore, it would have
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